AUDIT REPORT

PALM BEACH COUNTY CONVENTION AND VISITORS BUREAU FOLLOW-UP REVIEW

November 2007

Audit Services Division

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

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Honorable Addie Greene, Chair
Members, Board of County Commissioners

Board of Directors
Discover Palm Beach County, Inc.
d/b/a Palm Beach County Convention and Visitors Bureau

We have conducted a follow-up review of the Palm Beach County Convention and Visitors Bureau (CVB).

The objective of our follow-up review was to determine whether the 75 audit recommendations included in the initial Clerk & Comptroller audit report dated December 14, 2006 were implemented and, if not, to assess the adequacy of any alternative solutions devised. This prior report concluded that internal controls in the operation of the CVB were not adequate. The lack of controls allowed the misappropriation of approximately $1.589 million without detection.

We concluded that progress has been made and the CVB has been proactive in addressing many of the recommendations. Of the 75 total recommendations, 32 were fully completed and 21 were partially addressed. The CVB developed alternative solutions that were deemed acceptable for 4 recommendations. Finally, the CVB chose not to take action on 18 recommendations, either due to general disagreement with the suggested solutions or a conscious decision to defer implementation until the planned arrival of the incoming CEO and CVB Board of Directors (CVB Board) in November 2007. The CVB generally disagreed with recommendations that involved eliminating "private funds" largely earned as a result of tourist development tax-supported activities.

Additional recommendations are provided in this report to further assist the CVB and provide guidance to the Tourist Development Council (TDC) in its oversight role. The CVB is encouraged to continue their efforts to implement the remaining original recommendations as well as the new recommendations provided.

We appreciate the cooperation shown by the staff of the Palm Beach County Convention and Visitors Bureau during the course of this review.

Respectfully submitted,

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EXECUTIVE SUMMARY

The Clerk & Comptroller conducted a follow-up review of the Palm Beach County Convention and Visitors Bureau (CVB). Discover Palm Beach County, Inc., d/b/a Palm Beach County Convention and Visitors Bureau, was formed in 1983 as a nonprofit corporation under contract with Palm Beach County to provide tourism marketing services and management of the Palm Beach County Convention Center. The purpose of this follow-up review was to determine whether the audit recommendations included in the report dated December 14, 2006 have been implemented and, if not, to assess the adequacy of any alternative solutions devised.

The original report concluded that internal controls in the operation of the CVB were not adequate. The lack of controls allowed the misappropriation of approximately $1.589 million by the CVB Controller without detection between June 2003 and October 2006. During that timeframe, the CVB Controller wrote 222 checks made payable to herself. Approximately $250,000 has been recovered to date, and the CVB recently negotiated settlements with other parties for an additional $710,000 in anticipated recoveries.

The audit report contained 34 findings and 75 recommendations. The follow-up review disclosed that progress has been made in the implementation of internal controls, with 32 recommendations fully implemented and another 21 partially addressed. The CVB developed alternative solutions that were deemed acceptable for 4 recommendations. Finally, the CVB chose not to take action on 18 recommendations, either due to general disagreement with the suggested solutions or a conscious decision to defer implementation until the planned arrival of the incoming CEO and CVB Board of Directors (CVB Board) in November 2007. The CVB has been proactive in addressing the issues over the past nine months.

The recommendations, implemented fully or partially, cut across all aspects of the CVB operations and control environment. The CVB coordinated with law enforcement, external auditors and the IRS. Policies and procedures were implemented across the organization. Controls over financial, operational and technological functions and processes were implemented or strengthened.

The CVB continues to use public monies to generate funds that are used for purposes that are not regulated or approved by the County. This arrangement is sanctioned by the new 2007 contract between the CVB and the Board of County Commissioners (BCC). The CVB generally disagreed with recommendations that involved eliminating private funds earned through staff or activities that are funded by tourist development tax (bed tax) monies. The funds generated through use of the public funded staff or activities will in some instances

offset County funding, but in other instances will be deposited into a private fund account to be spent without County approval or supervision. For example, the review disclosed that Membership Program staff and activities are funded by bed tax monies although the monies generated by the County-funded staff are deposited into a private fund account and spent without County oversight or control. The review also disclosed that an inherent conflict of interest exists as the CEO is paid a 5% commission of net incremental private funds raised.

The CVB has committed to instituting new steps intended to promote the reporting of private funds, though sufficient time has not transpired to assess their effectiveness. For example, the CVB has committed to making private funds transparent in financial reports. The new CVB contract approved by the BCC on September 25, 2007 requires the CVB to establish written policies and procedures within 60 days to handle and manage the private funds. These policies and procedures must be approved and enforced by the Tourist Development Council (TDC) in their oversight role of the CVB. The contract states that payment of CVB obligations shall be made in accordance with fiscal procedures of the County. To assist the CVB in drafting their procedures and adhering to County fiscal procedures, as well as to provide guidance to the TDC in their oversight role, additional recommendations are provided in this report.

The CVB is encouraged to continue their efforts to implement the remaining original recommendations as well as the new recommendations provided in this report.

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Appendix D: Tourist Development Council: An Operational Review of Contract Administration, dated August 2007

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INTRODUCTION

Scope and Methodology

The Clerk & Comptroller conducted a follow-up review of the Palm Beach County Convention and Visitors Bureau (CVB) audit dated December 14, 2006 (see Appendix A for the original report).

The objectives of the original audit were to determine:

- Weaknesses in internal controls that may allow improprieties to occur,
- Adequacy of accounting and management internal controls,
- Whether other financial improprieties have occurred, and
- Reasonableness and necessity of expenditures for tourism-related activities.

The purpose of the follow-up review was to determine the status of the 75 recommendations for improvement presented in the original report.

The review included analysis of the contracts between the CVB and the BCC. The CVB was under contract to the BCC in 2006 when the misappropriation occurred. Subsequently, the contract expired and has been extended until 2012 under a new five-year agreement approved by the BCC on September 25, 2007 (see Appendix B). Changes between the former contract and the new contract (highlighted in the "Background" section of this report) were reviewed and evaluated. The roles and responsibilities assigned to the TDC and CVB in the 2007 contract were examined and evaluated.

Interviews with CVB management and staff provided facts and historical context to changes that have been implemented. CVB staff also provided supporting documentation for the review. Limited testing of processes and transactions recorded since the last review was used to verify the implementation of internal controls and the progress achieved.

Additional background and factual material for the review was obtained from the new employment agreement between the incoming CVB President & CEO and the CVB (see Appendix C), as well as the operational review of the TDC conducted by the Palm Beach County Office of Financial Management & Budget in August 2007, titled: Tourist Development Council: An Operational Review of Contract Administration (see Appendix D).

Finally, we reviewed the roles of the TDC and the Clerk & Comptroller's office in their oversight, review and approval of CVB expenditures, processes and reporting.

Overall Conclusion

The follow-up review disclosed that progress has been made. CVB management has been proactive in implementing the recommended actions or devising alternative solutions to strengthen the control environment. Of the 75 recommendations in the original report, it was determined that:

- 32 have been implemented
- 21 were partially implemented
- 4 have an acceptable alternative
- 18 were not implemented.

The CVB continues to use public monies to generate funds that are used for purposes that are not regulated or approved by the County. This arrangement is sanctioned by the 2007 contract between the CVB and the BCC. The CVB generally disagreed with recommendations that involved eliminating private funds earned through staff or activities that are funded by bed tax monies. Certain revenue sources (e.g., Membership Program activities) continue to be treated as private funds and are not returned to the County. Also, an inherent conflict of interest exists as the CEO is paid a 5% commission of net incremental private funds raised.

The CVB has committed to instituting new steps intended to promote the transparency of reporting of private funds. The CVB is contractually required to establish policies and procedures for private funds, which must be approved and enforced by the Tourist Development Council (TDC) in their oversight role of the CVB.

It is important that management continue their efforts to implement the remaining recommendations.

Background

Discover Palm Beach County, Inc., d/b/a Palm Beach County Convention and Visitors Bureau, was formed in 1983 as a nonprofit entity. The CVB operates under a contract with Palm Beach County to provide tourism marketing services under the County's Tourist Development Plan. The CVB Board of Directors (CVB Board) provides supervision over CVB affairs. The CVB budget for fiscal year 2006-2007 was $9,640,000, of which the total amount was from tourist development taxes, or "bed taxes." Other funding sources and revenues designated by the CVB as private funds are not included in the budget presented to the County. The CVB bed tax budget for fiscal year 2007-2008 is $9,804,000.

As a result of the misappropriation of approximately $1.589 million by the former CVB Controller, the Clerk & Comptroller performed an audit and released the final report on December 14, 2006. The audit report concluded that internal controls in the operation of the CVB were not adequate. The lack of internal controls and gross mismanagement in the CVB operations, and the lack of agency oversight by the TDC, allowed the $1.589 million misappropriation to occur without detection over a course of more than three years. The purpose of this follow-up review was to determine whether the recommendations contained in the audit report were implemented and, if not, to assess the adequacy of any alternative solutions devised.

According to the CVB, they have recovered $250,000 from their fidelity bond, and the CVB recently negotiated settlements with other parties for an additional $710,000 in recoveries. The former CVB Controller was arrested and pled guilty to one count of grand theft over $100,000 and one count of money laundering over $100,000. On July 30, 2007, she was sentenced to 10 years in prison and ordered to make restitution for the total amount of the theft.

As outlined in Florida Statute Chapter 125, the role of the TDC is to implement the County-approved Tourist Development Plan and to oversee the expenditure of bed tax monies. The TDC is charged with approving the travel of the CVB Executive Director, annually approving the fiscal policies and procedures, and continuously reviewing the expenditures of revenues from the tourist development trust fund. The TDC Executive Director and his staff also act as liaison between the bed tax-funded agencies and the TDC Board, County Administration and the BCC.

The CVB has reorganized the Board of Directors and a new CVB Board will take office in November 2007.

The role of the Clerk & Comptroller's payables (pre-audit) office is to review and pay TDC-approved invoices in accordance with the terms of the contracts, County rules and procedures, TDC policy and Florida Statutes. Invoices are approved and authorized for payment by the CVB and the TDC prior to being submitted to the Clerk.

The contract between the CVB and BCC in effect in December 2006 has been replaced with a new five-year agreement, which was approved by the BCC on September 25, 2007. Some of the key additions and changes in the newly approved five-year CVB agreement include:

- Updated performance measures to apply during FY 2007-2008,
- New position of Senior Vice President of Operations,
- Revised salary policy that eliminates bonus payments to President & CEO from tourist tax funds,
- Revised salary structure with the maximum increased to accommodate the President & CEO base salary from tourist tax funds,
- New conflict of interest policy for CVB Board members,

- Creation of policies and procedures concerning private funds,
- New audit and finance committees,
- Term limits and re-bidding of auditing and legal experts, and
- Certification of CVB by the Destination Marketing Association International.

FINDINGS, RECOMMENDATIONS & STATUS UPDATES

This section summarizes the status of recommendations for improvement made in the audit of the Palm Beach County Convention and Visitors Bureau in December 2006 (Appendix A). The titles of the original findings and recommendations contained herein are those of the prior audit (details of each finding were removed), followed by the status updates and additional recommendations when appropriate.

1. Gross mismanagement allowed misappropriation of funds at the Convention and Visitors Bureau

RECOMMENDATION:

The CVB should:

A. Cooperate with law enforcement to pursue prosecution of the Controller and recover as much of the misappropriated funds as possible from responsible parties as noted in this report.

Status of Recommendation: Implemented

The CVB Controller misappropriated funds in the amount of $1.589 million.

The CVB cooperated with local law enforcement and the State Attorney's Office to pursue the prosecution of the former controller, who was convicted of one count of grand theft over $100,000 and one count of money laundering over $100,000. On July 30, 2007, she was sentenced to 10 years in prison and ordered to make restitution for the total amount of the theft. According to the CVB, they have recovered $250,000 from their fidelity bond, and have negotiated recovery of $710,000 in settlements not yet received: $335,000 from its Directors and Officers

Liability Policy and $375,000 from the accounting firm, for a total anticipated recovery amount of $960,000 to date.

B. Implement all recommendations contained in this report.

Status of Recommendation: Partially Implemented

The review determined that 32 recommendations have been implemented, 4 have acceptable alternatives, 21 have been partially implemented, and 18 of the remaining recommendations have not been or will not be implemented. The current status of each recommendation is highlighted in this report.

C. Prepare and file with the IRS, Form 1099 for the Controller for the amounts of the misappropriations for each year she embezzled funds.

Status of Recommendation: Partially Implemented

The CVB has prepared the IRS Forms 1099 for each year reflecting the amount the former controller embezzled from the CVB. However, the forms are under legal review and have not yet been filed.

2. Public funds have been co-mingled and converted into "private funds"

RECOMMENDATION:

The CVB should:

A. Work with the BCC to rescind the contract amendment that allows the conversion of public funds to private funds.

Status of Recommendation: Not Implemented

The 2007 contract did not rescind the contract amendment that allows the conversion of public funds to private funds. Private funds are derived from tax-supported activities including staff time and infrastructure such as office space, office equipment and technology. Private funds would not be possible but for the existence of public funds. Therefore, funds derived from membership fees, advertising revenues and event-sharing arrangements should be used to offset County expenses.

Under the 2007 contract, the CVB is authorized to generate funds that are deemed private funds to pay for expenses which are not eligible for payment by public funds. However, the 2007 contract restricts private fund usage by the CVB to only such expenses which are ordinary and necessary administrative and operating expenses incurred in connection with the marketing and promotion of Palm Beach County tourism. Under Florida Statute Chapter 125, the role of the TDC is to continuously review the expenditure of revenues from the tourist development trust fund (bed taxes). The 2007 contract addresses the private funds issue by increasing financial reporting and requiring the TDC to approve financial policies and procedures pertaining to private monies.

The 2007 contract allows 60 days from the date of contract execution (September 25, 2007) for the CVB to develop and submit written financial policies and procedures to the TDC. These policies and procedures have not yet been submitted for approval.

B. Transmit all CVB revenue to the County as reimbursement of taxpayer funds.

Status of Recommendation: Not Implemented

The CVB provided the following definition of private funds in a written response during the follow-up review:

> *"Public monies are monies received from the BCC to pay for authorized expenditures. Any monies collected from other sources will be considered private except as follows:*
>
> 1. *Monies collected as a refund for items previously paid for by BCC reimbursement.*
> 2. *Monies collected from properties to pay their cost of participating in a trade show or conference. Other income for participation in a show will be considered private monies.*
> 3. *Revenues collected in connection with a CVB sponsored event such as an annual tourism luncheon or dinner, up to the cost of the event. Net profits from any such event will be considered private monies.*

4. *Royalties collected for publications rights and for advertising rights in CVB publications and on the CVB web site will be considered private.*

5. *Monies collected as payment for employee services that were previously paid for by BCC reimbursement (i.e. technology billing).*

6. *Interest earned in excess of fees paid on checking accounts that are funded by public dollars."*

The CVB's definition does not take into consideration that it is using public funding for staff, infrastructure, facilities, supplies, travel, etc., in order to solicit or generate private funds.

As stated in the 2007 contract (Appendix B, Section H):

> *"The Bureau shall incur and pay only such expenses as are lawful, ordinary and necessary administrative and operating expenses incurred in connection with the marketing and promotion of Palm Beach County tourism…."*

Accordingly, all expenditures by the CVB must be lawful, ordinary and necessary administrative and operating expenses, regardless of the funding source.

The CVB states that money collected from "other" sources will be private.

As was reported in the original audit, private funds had been used for activities that did not appear reasonable or necessary, such as travel perks for the CEO, without documentation to substantiate the legitimacy of the expenses.

Because the 2007 contract authorizes the CVB to generate private funds, the TDC, as the primary oversight authority for the CVB, must ensure that financial policies and procedures clearly define which activities generate private funds and the criteria for their use. These policies must be consistent with County policies and procedures to prevent the conversion or misuse of public funds and to ensure the reasonableness and necessity of the expenditures.

3. There are inadequate controls to monitor the use of the Convention and Visitors Bureau's "private funds"

RECOMMENDATION:

The CVB should:

A. Eliminate "private funds" and process all revenue and payments through the County.

Status of Recommendation: Not Implemented

The CVB will not be eliminating private funds, stating:

> *"We will make 'private funds' transparent by including them in all financial reports. Make 'private funds' subject to financial policies and procedures regarding approval of expenditures and internal and external controls."*

The 2007 contract did not eliminate private funds. The County will not be receiving, processing or distributing any private funds.

However, the 2007 contract increases financial reporting requirements and directs the TDC, in its oversight role, to approve financial policies and procedures to restrict and monitor the use of private funds. The TDC must limit the expenditures of private funds to those that are "reasonable and necessary," as authorized by the 2007 contract. The TDC is ultimately responsible for oversight and approval of all CVB expenditures.

The TDC should ensure that monitoring controls and detailed policies and procedures are in place to verify that expenditures of private funds and public bed tax monies are in accordance with the Internal Revenue Service (IRS) Code, Florida Statutes (F.S.), the 2007 contract and County requirements.

CVB expenditures of public bed tax funds, including travel and entertainment, are governed by F.S. 125.0104. Other expenditures not contemplated by the statute but authorized by the 2007 contract must be paid with private funds. IRS guidelines control the expenditure of private funds for 501(c) (6) non-profit enterprises such as the CVB.

Expenditures must serve a valid public purpose and be reasonable and necessary for the stated purpose. Statutorily and contractually, the following are also required for all expenditures:

- Proper identification as to type and amount;
- Detailed supporting documentation;
- Necessary approval signatures;
- Compliance with the IRS Code, Florida Statutes, the 2007 contract and County requirements.

Guidelines governing CVB expenditures throughout the country vary. To ensure the most responsible and transparent use of public bed tax funds and private funds, consideration should be given to the following:

- The U.S. General Services Administration (GSA) and the IRS delineate maximum lodging and meal costs, or per diem rates, for domestic travel. The U.S. Department of State sets the maximum rates for foreign travel. The 2007 contract allows use of the Business Travel Network's (BTN) per diem schedule. The per diem schedule used by the CVB is from BTNonline (Business Travel News Online), a resource for travel industry news and research.
- Entertainment expenses are limited to "ordinary and necessary" as prescribed by the IRS and "reasonable and necessary" as prescribed by F.S. 125.014. CVB policies and procedures should include clear guidelines to ensure compliance with these requirements.
- The 2007 contract anticipates the use of cash for travel expenditures and allows reimbursement based on the published OANDA Corporation exchange rate. The CVB's travel policy allows reimbursement for cash transactions based on the same rate plus 5 percent. Even though the contract anticipates cash transactions, the use of cash should be clearly defined under the policies and procedures for travel and entertainment.
- The 2007 contract states that moving expenses of employees hired for executive administrative and professional positions may be reimbursed using public bed tax monies. However, F.S. 125.0104 is silent as to allowing such moving expenses to be paid by public bed tax monies. In F.S. 125.0104 there is no authority given to the CVB Board to use bed tax funds at its own discretion.

4. Lack of cooperation on the part of the external audit firm prevented a determination of the adequacy of its work

RECOMMENDATION:

The CVB should:

A. Pursue the possibility of taking legal action against the accounting firm.

Status of Recommendation: Implemented

According to the CVB, they have recovered $250,000 from their fidelity bond, and have agreements for the recovery of $710,000 as follows: $335,000 from its Directors and Officers Liability Policy and $375,000 from the accounting firm. The total anticipated recovery amount is $960,000 to date.

B. Implement an auditor rotation policy whereby a mandatory rotation of auditors would occur at least every five years through a competitive selection process.

Status of Recommendation: Implemented

The 2007 contract revised the auditor rotation schedule. Auditors will have a three-year contract with an option for a two-year extension.

C. Terminate the financial audit contract with the current external auditing firm and select a new auditing firm through a competitive process.

Status of Recommendation: Partially Implemented

The contract with the prior external auditing firm has been terminated. At the time of this review, a Request for Proposal (RFP) for a new firm was being drafted.

5. Issues relating to the Board of Directors should be addressed

RECOMMENDATION:

The CVB Board should:

A. Review and approve policies and procedures annually.

Status of Recommendation: Not Implemented

The CVB Board has not approved the contractually mandated policies and procedures since September 1999.

B. Establish an audit committee comprised of several Board members and, perhaps, outside citizens, to oversee the audits. Oversight would include auditor selection, approval of audit scope, audit status reports, reporting of results, and follow up with management on recommendations.

Status of Recommendation: Partially Implemented

The CVB Board revised their by-laws to establish an audit committee. However, the audit committee members and chairman have not been appointed.

C. Develop a corporate travel policy that includes CEO travel criteria, requires cost justification for all travel, and mandates Board approval prior to CEO travel.

Status of Recommendation: Partially Implemented

The CVB Board's Executive Committee has not established a policy that includes criteria for CEO travel, cost-justification and pre-approval of the CEO's travel expenditures.

The CVB has created a corporate travel policy (Appendix E) that applies to CVB staff, in compliance with the 2007 contract.

Although some of the CEO's travel plans are anticipated in the CVB's annual marketing plan, this does not establish a comprehensive corporate travel policy.

D. Develop a corporate policy on entertainment, which requires Board approval prior to all significant entertainment expenditures.

Status of Recommendation: Partially Implemented

The CVB's annual marketing plan anticipates significant entertainment events, including expenditures. However, a corporate policy defining the criteria for approval of unanticipated entertainment events and expenses has not been developed.

E. Enact term limits for all Board members.

Status of Recommendation: Implemented

The CVB Board's updated by-laws establish term limits for board members. The by-laws state:

> *"Upon completion of a full three-year term, a Director shall be ineligible to sit on the Board for a period of one year thereafter. So long as a Director is in compliance with the preceding sentence, there shall be no limitation on the number of terms during which a Director may serve."*

6. Convention and Visitors Bureau's conflict of interest policy is not sufficient

RECOMMENDATION:

The CVB should:

A. Develop, implement and distribute a comprehensive conflict of interest policy to include wording that no vendor or Board member may be related to any CVB employee. Require all officers, directors, agents, employees or vendors to sign a conflict of interest statement attesting that no conflict exists under the policy. All possible conflicts must be disclosed to the Board in writing.

Status of Recommendation: Partially Implemented

The 2007 contract includes a conflict of interest policy for Directors (Appendix B, Exhibit C). The policy includes a written disclosure form, to be completed annually by each Director, identifying relations, positions and circumstances which could contribute to a potential conflict of interest. No disclosure forms have been executed to date.

B. Adhere to and enforce the conflict of interest policy.

Status of Recommendation: Not Implemented

While a new policy exists, no disclosure forms have been executed.

7. Convention and Visitors Bureau does not have adequate fidelity bond insurance coverage to protect the County

RECOMMENDATION:

The County should:

A. Amend the CVB contract to include an appropriate level of fidelity bond coverage based on the CVB's level of risk. The CVB should work with the County to amend the CVB's current contract to increase the fidelity bond coverage to a more appropriate amount. The required coverage should be analyzed in terms of potential loss to the CVB and the County.

Status of Recommendation: Not Implemented

The 2007 contract requires $1 million fidelity bond coverage. A certificate of insurance has not been provided for the $1 million policy. It is unclear whether a risk assessment has been done.

8. Withholding taxes paid by the County to the Convention and Visitors Bureau were not paid to the IRS

RECOMMENDATION:

The CVB should:

A. Determine the total amount of back payroll taxes due and negotiate terms for their payment with the IRS.

Status of Recommendation: Implemented

The CVB has determined the total amount due to the IRS in back payroll taxes. Negotiations with the IRS regarding penalties and interest are in progress.

B. Assume full responsibility for the IRS payment. The CVB should not request reimbursement from the County.

Status of Recommendation: Implemented

The CVB has not requested assistance or reimbursement from the County.

9. The Convention and Visitors Bureau Board of Directors' control of the Convention Center may create a conflict of interest

RECOMMENDATION:

The CVB should:

A. Rescind the Convention Center contract between the BCC and the CVB and use a competitive bidding process to select new management for the Convention Center facility. Alternatively, the County may consider assuming responsibility for the operations of the Convention Center.

Status of Recommendation: Implemented

The County has not renewed the Convention Center contract with the CVB. The County is assuming responsibility for the operations of the Convention Center.

10. County is advancing funds for payment in violation of the contract with the Convention and Visitors Bureau

RECOMMENDATION:

The CVB should:

A. Provide documentation of the payment of expenses prior to seeking reimbursement.

Status of Recommendation: Acceptable Alternative

The 2007 contract authorizes the County to advance payment of CVB invoices. The Executive Director of the TDC or his designee is required to approve and authorize all invoices prior to payment by the County.

11. Vice President of Finance & Administration (VPF&A) failed to monitor financial activity

RECOMMENDATION:

The VPF&A should:

A. Monitor and enforce a system of internal controls to ensure the controls are operating effectively.

Status of Recommendation: Partially Implemented

The Vice President (VP) of Finance* has established internal controls. Some examples include:

- Hiring an external firm to conduct the monthly bank reconciliations,
- Segregating the duties of Finance staff,
- Implementing a record management system, and
- Adopting controls over voided checks.

The VP of Finance has prepared draft financial procedures and internal controls. The draft has not been submitted to the CVB Board or the TDC for approval and implementation.

**The duties of the Vice President of Finance and Administration are now split between the positions of Vice President of Finance and Senior Vice President of Operations.*

B. Conduct regularly scheduled and unannounced financial reviews, to include bank reconciliations and bank account balances, to detect and prevent abnormalities.

Status of Recommendation: Implemented

The VP of Finance conducts scheduled and unannounced financial reviews. The CVB has hired an external firm to conduct monthly bank reconciliations.

12. Convention and Visitors Bureau lacks sufficient management over information technology activities

RECOMMENDATION:

The CVB should:

A. Update policies and procedures for computer usage, Internet usage, computer security, and e-mail use and eliminate the expectation of privacy for employees while using CVB computers.

   Status of Recommendation: Implemented

   The CVB has adopted Palm Beach County's computer usage, security and e-mail policies. The policies address the employee privacy issue.

B. Install and maintain Internet-filtering software.

   Status of Recommendation: Implemented

   The CVB has installed and maintains Internet-filtering software.

C. Identify and use a secure, approved, off-site data storage facility for backup tape storage.

   Status of Recommendation: Not Implemented

   The CVB has not secured an off-site data storage facility for backup tape storage.

D. Merge all IT functions, operations, and systems under one division.

   Status of Recommendation: Acceptable Alternative

   The CVB has reassigned the responsibilities of IT functions and operations from the Finance Department to the Administration Department. The update and maintenance responsibilities of the website are assigned to the Marketing Department.

E. Develop and implement an IT strategic plan.

Status of Recommendation: Not Implemented

The CVB has not developed or implemented an IT strategic plan.

13. Segregation of duties is inadequate

RECOMMENDATION:

The VPF&A should:

A. Conduct regular assessments of the internal control systems to verify the controls are functioning as outlined in the policies and procedures and position descriptions.

Status of Recommendation: Partially Implemented

The VP of Finance conducts informal reviews of internal controls. The VP of Finance has prepared draft internal control procedures. The draft has not been submitted to the CVB Board or the TDC for approval and implementation.

B. Segregate the duties of preparing expense reimbursement packets and picking up and depositing checks.

Status of Recommendation: Implemented

The duties have been segregated and are now documented in position descriptions.

14. Convention and Visitors Bureau's record management system does not provide adequate tracking of expenditures

RECOMMENDATION:

The CVB should:

A. Obtain a record management system that identifies, tracks, analyzes, and locates specific expenditure information. The system should also have detailed reporting

capabilities, including reports that cross-reference expense reimbursement packets by individual vendors, type of expenditure, etc.

Status of Recommendation: Not Implemented

The CVB continues to use the Great Plains accounting system that was in place during the original audit. The system captures data that allows tracking and cross-referencing of all invoices. It also allows for detailed reporting by reimbursement packet, invoice number, department, vendor and expenditure type. However, expense reimbursement packets submitted to the County still do not provide complete information required to validate adherence to all statutory and regulatory requirements.

B. Create a policy and procedure for the processing of reimbursement requests that requires, at minimum, the following: complete and legible expense reimbursement request forms, detailed information for each line item, breakdowns, receipts for all expenses and timely submission.

Status of Recommendation: Partially Implemented

The 2007 contract (Appendix B, Exhibit G) establishes the framework for minimum acceptable requirements for the administration of travel and entertainment activities. This is supplemented by a more-detailed CVB travel policy (Appendix E) for the processing of staff-related travel and entertainment expenses. Other policies and procedures are needed for expenses not related to travel.

15. Policies and procedures are inadequate to ensure proper internal controls

RECOMMENDATION:

The CVB should:

A. Adhere to its contractual obligations and develop proper policies and procedures for each function within accounting as well as adequate segregation of duties.

Status of Recommendation: Not Implemented

The VP of Finance has prepared draft accounting procedures and internal controls, which include segregation of duties. The draft has not been submitted to the CVB Board or the TDC for approval and implementation.

B. Ensure the Board of Directors and Tourist Development Council annually review and approve policies and procedures. Ensure that all internal controls are in place and functioning in accordance with the policies and procedures.

Status of Recommendation: Not Implemented

No policies and procedures have been approved by the CVB Board or TDC. Annual reviews and approval have been and remain a contractual requirement.

To ensure internal controls are implemented and functioning, the TDC should develop a strategy to monitor the effectiveness of the internal controls and to address deficiencies when identified.

16. The Convention and Visitors Bureau's Membership Program provides special benefits

RECOMMENDATION:

The CVB should:

A. Eliminate the Membership Program and promote all Palm Beach County tourist businesses equally.

Status of Recommendation: Not Implemented

The CVB is not considering this recommendation. CVB management stated:

> *"We disagree with this recommendation. Membership programs are a common component of CVB's nationwide: 71% of CVBs with budget of $5 million to $10 million have membership programs."*

The 2007 contract recognizes memberships as a source of private funding for the CVB. Under Florida Statute 125.0104, the bed tax is levied on all accommodations that are leased for a term of six months or less. County tourism businesses are required to pay bed taxes, but are not assured of receiving any promotional value. A minimum level of exposure should be provided to all businesses paying the bed tax.

17. The CEO traveled extensively without adequate documentation of reasonableness and necessity, and in violation of County policies

RECOMMENDATION:

The CVB Board should:

A. Develop a travel and entertainment cost-benefit analysis as part of the annual marketing plan.

Status of Recommendation: Partially Implemented

The CVB's annual marketing plan considers the reasonableness and necessity of all travel but does not provide quantitative analysis.

B. Approve all of the CEO's travel in advance.

Status of Recommendation: Not Implemented

The CVB Board's Executive Committee has not established a policy that requires pre-approval of CEO travel.

The 2007 contract includes the travel and entertainment policy (Appendix B, Exhibit G), which states, "Travel for staff will be pre-approved by the President/CEO and the President/CEO's travel will be approved by the Bureau's Executive Committee." The provision does not specifically require pre-approval of the CEO's travel.

The CVB has created a travel policy (Appendix E). However, the policy does not specifically address Board pre-approval of CEO travel.

Although some of the CEO's travel plans are anticipated in the CVB's annual marketing plan, this does not constitute a comprehensive CEO travel policy or fully address pre-approval of CEO travel.

C. Review all CEO expenditures to ensure all expenditures are reasonable, necessary and in compliance with County policy.

Status of Recommendation: Partially Implemented

The 2007 contract now requires the CVB Board's Executive Committee to approve the CEO's expenditures. Some of the CEO's travel plans are anticipated in the CVB's annual marketing plan.

There is no procedure in place for ensuring non-travel related entertainment and other expenses incurred by the CEO are reasonable, necessary and in compliance with County policy. The original audit revealed a number of excessive and/or unjustified expenditures by the CEO, both locally and internationally. The CVB Board's Executive Committee should continuously monitor CEO expenditures. In addition, the TDC is contractually and statutorily required to provide oversight of CEO expenditures.

18. The CEO's full compensation package is not approved by the County

RECOMMENDATION:

The CVB should:

A. Compensate the CEO in compliance with the County's approved compensation package.

Status of Recommendation: Partially Implemented

The CEO's compensation package was reviewed and approved by the County.

The base salary and annual increases appear reasonable. The employment agreement states that the CEO will be paid an annual commission equal to 5% of any increase in non-tourist tax revenues (private funds) received over the previous year. The annual commission incentive is not appropriate. Paying commissions based on increasing the CVB's private revenues creates an inherent conflict of interest. The following are examples of potential annual CEO commissions based on the CVB's increasing private revenues.

- $100,000 x .05 = $5,000 commission
- $500,000 x .05 = $25,000 commission
- $1,000,000 x .05 = $50,000 commission

A June 2006 survey by the Destination Marketing Association International (DMAI) Foundation was obtained. When CEOs were asked if new member dues was one of the criteria offered for variable cash compensation:

- for CVBs with budgets of $5-$10 million, 4% (1 of 25) of CEOs agreed

- for CVBs with budgets of $10 million or more, 13% (4 of 32) CEOs agreed

An inherent conflict of interest exists with the new CEO's employment agreement. This agreement creates a competing interest for the CEO between the taxpayers and the CVB's private interests.

The Association of Fundraising Professionals has developed a code of ethical principles and standards of professional practice. It specifically states that:

- *Members **shall not accept compensation that is based on a percentage of contributions**; nor shall they accept finder's fees.*
- ***Members may accept performance-based compensation**, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of contributions.*

The CEO's primary responsibility is to increase tourism in Palm Beach County. The operation of the CVB requires that taxpayer funds be used by the CVB in the most efficient and effective manner. The commission entitlement could affect these responsibilities by redirecting the CEO's efforts to increasing the CVB's private revenues instead of concentrating on providing services in the best interest of the citizens of Palm Beach County.

The CVB Board and the CEO should amend the contract to eliminate the CEO's annual commission for obtaining private funds. If the commission structure remains intact, the TDC should ensure the transparency of the financial reporting of revenue and the accurate capture of fundraising related expenses.

B. Remit to the County any revenue generated by the activities of the CVB.

Status of Recommendation: Partially Implemented

The 2007 contract provides the framework for the CVB to reimburse the County from private funds to offset some activities funded by bed taxes. The contractually-required policies and procedures for the handling and management of private funds have not been established. These policies and procedures must contain comprehensive provisions for the implementation, monitoring and reporting of private fund reimbursements.

19. Sweep account revenues are not remitted to the County

RECOMMENDATION:

The CVB should:

A. Remit all sweep account interest revenue to the County to offset County expenses

Status of Recommendation: Not implemented

There is no policy or procedure governing the remittance of sweep account interest.

20. Convention and Visitors Bureau manages the computer network systems for the Tourist Development Council (TDC) and other organizations under the TDC

RECOMMENDATION:

The CVB should:

A. Discontinue managing computer operations of the TDC and other organizations.

Status of Recommendation: Partially Implemented

The 2007 contract requires the CVB to continue managing computer operations of the TDC and other organizations. The contract states that the CVB may charge a prorated fee to the entities for this service and the revenues generated will now be placed in the CVB's operating account (public account).

In the original audit, it was noted that the CVB had control of the computer network systems of the TDC and other organizations. The CVB IT network systems manager continues to act as the systems administrator of the TDC. This represents a risk to the TDC in that a subordinate agency has administrative access to its computer systems.

21. Online reservation system has not produced sufficient revenue to cover costs

RECOMMENDATION:

The CVB should:

A. Eliminate the online reservation system.

Status of Recommendation: Implemented

The original audit revealed that the CVB Executive Committee voted to discontinue the online reservation system on December 1, 2006. This review confirmed that no payments were made to the reservation system vendor since December 31, 2006.

The Sungrazer reservation system contract was terminated as of December 31, 2006.

B. Develop a detailed project planning methodology to ensure future projects are better planned and implemented. The methodology must include cost-benefit analysis.

Status of Recommendation: Not Implemented

The CVB has not developed or implemented a detailed project planning methodology.

22. The Convention and Visitors Bureau has used outside legal counsel to perform administrative tasks

RECOMMENDATION:

The CVB should:

A. Re-evaluate the organization's policy for referral of matters to outside counsel.

Status of Recommendation: Implemented

The CVB has re-evaluated the organization's policy for referral of administrative matters to outside counsel. The CVB created the position of Senior Vice President of Operations to handle administrative matters previously referred to outside counsel.

B. Train staff to handle administrative functions previously handled by outside counsel.

Status of Recommendation: Implemented

The CVB created the position of Senior Vice President of Operations to handle administrative matters previously referred to outside counsel.

23. Security of the automated accounting system's test database is insufficient

RECOMMENDATION:

The CVB should:

A. Require that IT be informed that the test account is being used. IT should review and then purge the test database after each test and/or practice session.

Status of Recommendation: Implemented

The test database used to create a second set of accounting records was eliminated following the original audit. It was necessary, in the normal course of business, for the financial system vendor to recreate the test database during the installation of financial system upgrades. The vendor has sole access to this database and will eliminate it upon completion of the upgrades. IT should verify the elimination of the test database following the upgrades and report it to the CEO.

B. Monitor and review the history of the test account to ensure there is no unauthorized activity in the test account.

Status of Recommendation: Implemented

The test database was eliminated following the original audit and will be used only for the purpose of system upgrades in the future.

C. Designate a non-finance administrative staff member with read-only rights to periodically test the automated accounting system for unusual activity.

Status of Recommendation: Not Implemented

The CVB has not designated read-only rights to a non-finance administrative staff member.

24. Insufficient policies related to computer access rights and tracking compromised the automated accounting system

RECOMMENDATION:

The CVB should:

A. Activate the tracking feature within the automated accounting system and limit access and change rights.

Status of Recommendation: Partially Implemented

The CVB purchased and is installing a software upgrade from Great Plains Standard to Great Plains BRL Advanced Management accounting system. The software provides a tracking feature within the automated accounting system as well as the ability to limit access and change rights. The CEO should ensure these functionalities are activated following the upgrade.

B. Require all requests for access and change rights be submitted in writing, be reviewed by IT and authorized by management.

Status of Recommendation: Acceptable Alternative

The CVB has assigned this access review and authorization process to the CEO. The CEO should implement policies and procedures to document this practice.

C. Monitor access and change rights.

Status of Recommendation: Partially Implemented

The CVB purchased and is installing a software upgrade from Great Plains Standard to Great Plains BRL Advanced Management accounting system. The software provides a tracking feature within the automated accounting system as well as the ability to limit access and change rights. The CEO should ensure these functionalities are activated following the upgrade.

25. Policies on password security are inadequate

RECOMMENDATION:

The CVB should:

A. Establish a policy that all passwords are to be kept confidential.

Status of Recommendation: Implemented

The CVB IT manager distributed a memorandum to staff requiring all passwords to be kept confidential. This should be incorporated into a written policy and procedure manual.

B. Establish a policy that all passwords are to be changed on a regular basis.

Status of Recommendation: Implemented

The CVB IT manager distributed a memorandum to staff stating that the computer system will force a password change every 90 days. This should be incorporated into a written policy and procedure manual.

26. Controls over voided checks are inadequate

RECOMMENDATION:

The CVB should:

A. Implement security controls over voided checks.

Status of Recommendation: Implemented

Procedures were revised to require the VP of Finance to approve voided checks. Voided checks are kept in locked files with access limited to the VP of Finance.

27. Controls over check security are inadequate

RECOMMENDATION:

The CVB should:

A. Implement controls over the ordering of checks and not rely on assurances made by check companies.

Status of Recommendation: Implemented

Procedures were revised that require the VP of Finance to order all checks. The check printing company has been instructed, in writing, to send all new check stock to the CVB address and any address changes must be authorized by the CEO.

B. Establish procedures for the handling and safekeeping of checks.

Status of Recommendation: Implemented

Check stock is now secured in a locked credenza in the Office of the VP of Finance.

C. Determine whether the CVB has a potential legal claim against the check-printing company.

Status of Recommendation: Implemented

CVB management and legal counsel reviewed and determined that there is no claim against the check-printing company.

D. Ensure checks are secure and that only authorized personnel have access to the checks.

Status of Recommendation: Implemented

The VP of Finance has sole access to the check stock.

E. Keep checks in a safe and tightly monitor access to the safe. The safe should require two non-duplicatable keys for access.

Status of Recommendation: Partially implemented

A safe was not purchased; however, checks are secured in a locked credenza in the office of the VP of Finance. Access to any safe or locked cabinet/credenza should require the presence of two people.

F. Maintain a check log to be signed by both key holders when checks are accessed and identify the check numbers removed from stock.

Status of Recommendation: Partially implemented

The VP of Finance maintains sole access to the check log along with the check stock, which are stored in a locked credenza. When check stock is issued, the log is annotated with the name of the person receiving the checks. Access to any safe or locked cabinet/credenza should require the presence and signature of two people. Current CVB procedures do not require this.

G. Update the log when checks are ordered and added to the stock.

Status of Recommendation: Implemented

Logs are used to record the receipt of new check stock along with the corresponding sequential numbers.

28. Financial activity is not reported to division directors

RECOMMENDATION:

The CVB should:

A. Create and distribute monthly financial activity reports for each of the division directors and vice presidents.

Status of Recommendation: Implemented

CVB management creates and distributes monthly financial activity reports to division heads and vice presidents.

29. Controls over use of corporate credit cards are inadequate

RECOMMENDATION:

The CVB should:

A. Require credit card bills be sent to the CVB's Accounting Department for direct payment rather than seeking reimbursement from CVB employees.

Status of Recommendation: Implemented

American Express credit card bills are now addressed and delivered to the CVB office. The CVB Finance Department processes payments directly to American Express.

B. Obtain an immediate account balance upon termination of an employee by accessing the employee's corporate credit card account and reviewing outstanding charges. Any personal charges should be deducted from the employee's final payroll check.

Status of Recommendation: Implemented

Upon notification of employee termination, CVB management contacts American Express to request the final credit card account balance and card cancellation. A copy of the cancellation confirmation is obtained and filed. The outstanding card balance is settled.

All personnel authorized to carry a corporate credit card are required to execute an acknowledgement form, which includes a "no personal use" provision.

Policies and procedures should document these processes.

C. Update the credit card acknowledgement form to include a "no personal use" provision. The policies and procedures should also be updated to reflect this.

Status of Recommendation: Partially Implemented

The credit card receipt acknowledgement form specifies that no personal use is allowed and can be grounds for cancellation of the card.

Credit card expenses are submitted incrementally by the CVB to the County. To avoid late fees, the CVB should require employees submit all expense reports relating to each month's credit card statement in a timely manner. The TDC should ensure that all credit card charges are settled in a timely manner and that balances are not carried forward.

Policies and procedures should be updated to reflect this.

30. Controls over mail opening and processing are inadequate

RECOMMENDATION:

The CVB should:

A. Establish a policy that requires mail be opened by a designated person having no access to bank accounts or financial records.

Status of Recommendation: Implemented

All CVB mail is now centralized. Administrative staff who have no access to financial records or bank accounts retrieve and open all mail. Policies and procedures should document these changes.

B. Generate a log entry for each check received in the mail.

Status of Recommendation: Implemented

Administrative staff enter checks into a daily log, which is reviewed and signed by the office manager. All checks are delivered to the Finance Department. Policies and procedures should document these changes.

C. Establish a policy requiring daily reconciliation of the mail log to the daily deposit slip by an employee with no access to cash or checks.

Status of Recommendation: Acceptable Alternative

Administrative staff enter checks into a daily mail log. The checks and daily mail log are provided to the Finance Department. Deposit slips are prepared in the Finance Department. The VP of Finance reviews the check log and deposit slip for accuracy. While he does have access to the financial records, he provides the extra level of review intended by the recommendation. Policies and procedures should document these changes.

31. Procurement procedures are not specific

RECOMMENDATION:

The CVB should:

A. Develop written purchasing procedures detailing the use of comprehensive RFP's and sole source purchasing.

Status of Recommendation: Implemented

The 2007 contract requires the CVB to use the County purchasing procedures, which detail the use of comprehensive RFP's and sole source purchasing.

32. There is no centralized travel booking

RECOMMENDATION:

The CVB should:

A. Establish a centralized travel-booking program to make all arrangements for CVB employees who are authorized to travel.

   Status of Recommendation: Not Implemented

   The CVB has not established a centralized travel-booking program and continues to allow employees to make their own travel arrangements. Centralized booking would provide a standardized documentation and reporting process for travel planning and authorization and would enable the CEO to enforce the travel policy requirements.

33. There is no centralized invoicing

RECOMMENDATION:

The CVB should:

A. Develop a centralized invoicing function.

   Status of Recommendation: Implemented

   The CVB has centralized its invoicing function through the use of its accounting system. Invoices are prepared in the Finance Department.

B. Develop an invoice and payment remittance tracking system.

   Status of Recommendation: Implemented

   The Finance Department initiates all invoices and receives remitted payments through its accounting system.

C. Develop policies and procedures on invoicing and remittance of payments.

   Status of Recommendation: Not Implemented

The VP of Finance has prepared draft accounting procedures and internal controls, which include invoicing and remittance of payments. The draft has not been submitted to the CVB Board or the TDC for approval and implementation.

34. There is no centralized purchasing

RECOMMENDATION:

The CVB should:

A. Establish a centralized purchasing system.

Status of Recommendation: Partially Implemented

The Finance Department has centralized the purchasing processes. The Great Plains accounting system is being upgraded and will allow for the tracking of purchases.

APPENDIX A:

Palm Beach County Convention and Visitors Bureau Audit
dated December 2006 by Clerk & Comptroller

AUDIT REPORT

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

Audit Services Division

PALM BEACH COUNTY
CONVENTION AND VISITORS BUREAU
AUDIT

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

Audit Services Division

December 2006

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

December 14, 2006

Honorable Addie Greene, Chair
Members, Board of County Commissioners

Board of Directors
Discover Palm Beach County, Inc.,
d/b/a Palm Beach County Convention and Visitors Bureau

We have conducted an audit of the Palm Beach County Convention and Visitors Bureau (CVB).

The objectives of our audit were to determine weaknesses in internal controls, adequacy of management and accounting internal controls, whether other improprieties exist, whether audited expenditures were reasonable and necessary for effective tourist-related activities, and whether tax monies were used in conformity with County contracts and policies.

Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the findings and recommendations presented in this report are not all-inclusive.

We conclude that internal controls are not adequate. This lack of controls, in addition to gross mismanagement, allowed the misappropriation of $1.55 million to occur without detection. We identified some expenditures that may not be reasonable or necessary. We were unable to analyze all expenditures because of inadequate records.

I emphasize that we have not conducted a forensic audit to determine the total amounts misappropriated by the former Controller. That task is being performed by a commercial forensic auditing firm. That audit is ongoing. While we worked in cooperation with the auditing firm during the course of our audit, our findings as to the total amount misappropriated may differ.

Our normal procedure would be to obtain written responses from

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the auditee to be included in our report. Because of the urgent and critical nature of our findings and recommendations, along with the fact that CVB management is in transition, we are issuing this report without responses to make the information available to decision-makers as soon as possible. Our findings and recommendations have been discussed with counsel for the CVB Board of Directors.

We appreciate the cooperation shown by the staff of the Palm Beach County Convention and Visitors Bureau during the course of this review.

Respectfully submitted,

Sharon R. Bock, Esq.
Clerk & Comptroller
Palm Beach County

EXECUTIVE SUMMARY

The Clerk & Comptroller conducted a review of the internal control structure and environment of the Palm Beach County Convention and Visitors Bureau (CVB). Discover Palm Beach County, Inc., d/b/a Palm Beach County Convention and Visitors Bureau was formed in 1983 as a nonprofit corporation under contract with Palm Beach County to provide tourism marketing services and management of the Palm Beach County Convention Center (Convention Center).

Internal controls in the operation of the CVB are not adequate. The lack of controls, along with mismanagement, allowed the misappropriation of approximately $1.55 million without detection. We identified some expenditures that did not appear reasonable or necessary; however, because of inadequate records, we are unable to provide assurance that, overall, the CVB's expenditures were reasonable and necessary.

The former CVB Controller has misappropriated $1,556,961, which is the amount known to date. The misappropriations occurred during the period from June 4, 2003 to October 18, 2006. This included a total of 222 checks the Controller made payable to herself. The misappropriations went undetected for over three years as a result of gross mismanagement within the corporation. The Vice President of Finance & Administration (VPF&A) failed to monitor the Controller's and the Bookkeeper's activities and responsibilities. Had the VPF&A properly monitored activities, the misappropriation of funds could have been prevented or detected on a timely basis.

The CVB contracted with a commercial auditing firm for the past ten years to perform annual audits. During the Clerk & Comptroller's audit, several requests were made of the external audit firm to review its working papers, including its work product on the annual financial audits of the CVB. The external audit firm declined to provide any portion of their work papers unless the County signed a waiver that would prohibit the County from taking action in the event inadequate audit work was found. The external audit firm failed to detect the misappropriations during the last three annual financial audits of the CVB. Although fraud detection is not the objective of the annual audit, the auditor does have certain due diligence responsibilities relating to material fraud.

The County's relationship with Discover Palm Beach County, Inc. should be reconsidered**.** The current contractual arrangement does not reasonably ensure the efficient and effective use of public resources. Several Board Members of the CVB may have an actual or perceived conflict of interest with the Palm Beach County Convention Center. Several of the CVB Board Members are industry leaders in Palm Beach County, including business owners and managers that are in direct competition with the Palm Beach County Convention Center

for business. The current structure, whereby the Convention and Visitors Bureau is a nonprofit corporation, has effectively reduced County oversight of the use of tourist development tax funds, and also has facilitated CVB activities that may not be reasonable or necessary.

Public funds have been co-mingled and converted into private funds. The CVB has developed outside revenue sources that have been earned largely as a result of tax-supported activities. The CVB then retains earned revenues and spends them outside of County control. We noted expenditures for activities that do not appear reasonable or necessary. These include flowers for staff, dinners for Board members, tickets to numerous sporting events, including, in April 2006, four season tickets to the Dolphins games at a cost of $10,151. While some of the expenditures may be reasonable, there was no documentation available to justify the individual expenses.

The CEO traveled extensively without adequate documentation or oversight. Travel included first class overseas airfare in violation of County policy. The CVB Board of Directors Executive Committee or the full Board of Directors should approve all of the CEO's travel in advance.

The CVB has paid over $140,000 to a contractor and pays $5,800 per month for a reservation system that is providing virtually no benefit to the County. The reservation system did not go online until February 23, 2006 and has had produced only 36 bookings, 127 room nights, and $468 in transaction revenues. The online reservation system should be eliminated immediately.

Credit card controls need improvement. Some CVB employees are issued corporate credit cards with which to charge CVB-related activities. CVB employees have made personal charges on CVB's corporate credit cards. In one incident, a CVB employee who was subsequently terminated had $6,000 in personal charges on the CVB credit card. The CVB hired a CPA firm to provide additional services to review and determine a course of action to recover the $6,000 after the individual was terminated. Currently, credit card statements are mailed to the employees' homes; the employees pay the bill, and then seek reimbursement from the CVB. To exercise more control, the CVB should receive the credit card statements and pay the bill directly. Any personal use would then be discovered promptly.

Many weaknesses in internal controls allowed the misappropriations to occur without detection. These weaknesses include inadequate segregation of duties, improper use of the accounting system's test database, an inadequate record management system, inadequate check security, lack of financial reporting to division directors, and inadequate policies and procedures.

This report contains 34 findings and 75 recommendations. The CVB is encouraged to implement all recommendations as applicable to its future operational structure.

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INTRODUCTION

Scope and Methodology

The Clerk & Comptroller conducted a review of the internal control structure and environment of the Palm Beach County Convention and Visitors Bureau (CVB) Finance department. The objectives of our audit were to determine:

- Weaknesses in internal controls that may allow improprieties to occur
- Adequacy of accounting and management internal controls
- Whether other financial improprieties have occurred
- Reasonableness and necessity of expenditures for tourism-related activities

In order to meet these objectives, we conducted interviews, reviewed policies and procedures, identified internal controls for financial operations and identified weaknesses in the internal control environment that may allow improprieties to occur. We have not conducted a forensic audit. We worked with the commercial forensic auditing firm and examined specific transactions deemed necessary to fulfill our audit objectives without duplicating the work of the forensic audit firm.

To help ensure proper control over public monies, this report includes recommendations for changes in management and policies and procedures.

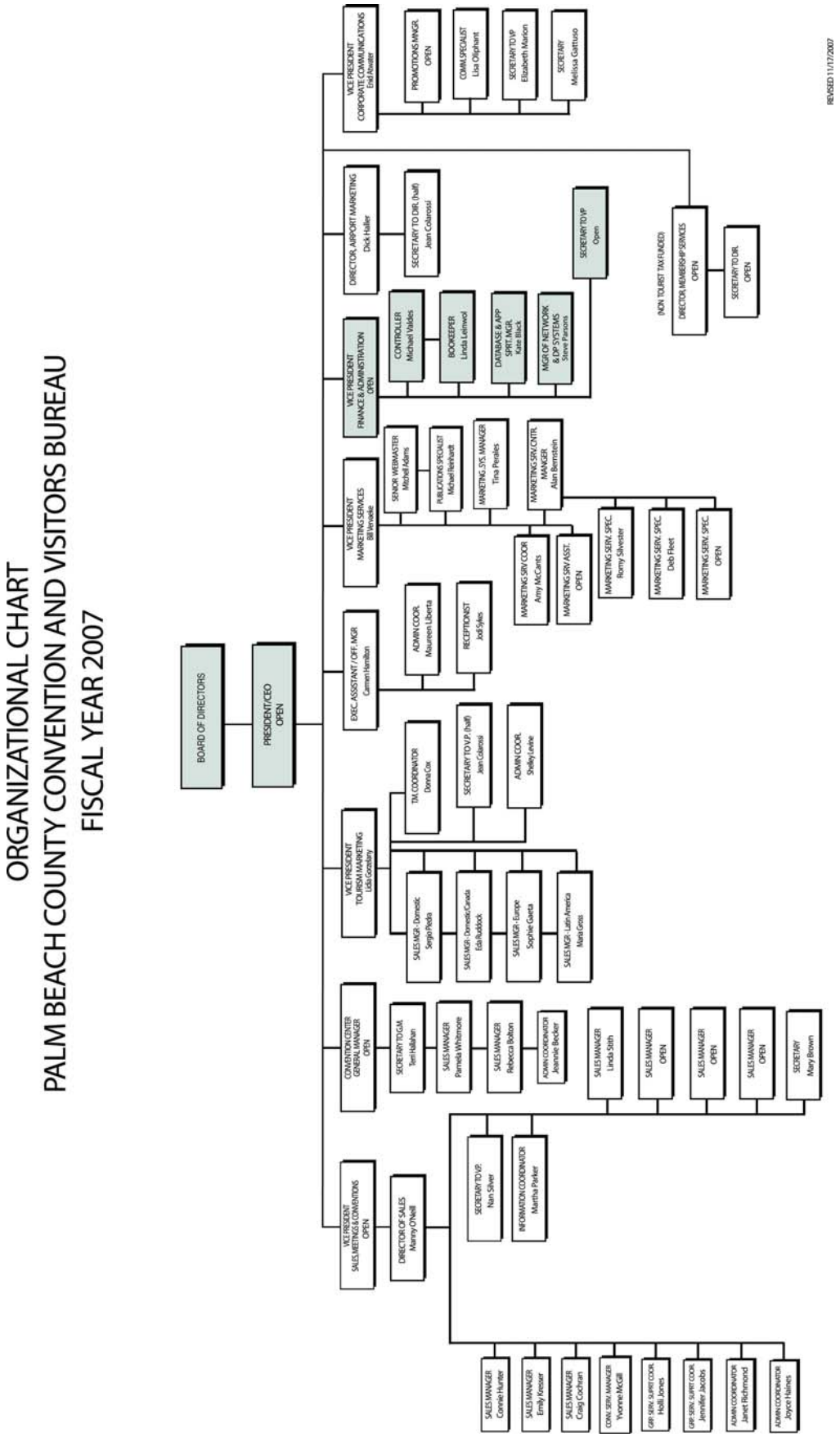
An organizational chart highlighting areas audited appears following this introduction.

Overall Conclusion

Internal controls in the operations of the CVB are not adequate. The lack of controls, including gross mismanagement, allowed the misappropriation of approximately $1.55 million without detection. While we noted no additional misappropriation of funds, we did not duplicate the work of the outside commercial forensic auditing firm hired to perform this function. We identified some expenditures that may not be reasonable or necessary; however, because of inadequate records, we were not able to analyze all expenditures. We are not able to provide reasonable assurance that expenditures of the CVB were reasonable and necessary, taken as a whole.

Background

Discover Palm Beach County, Inc., d/b/a Palm Beach County Convention and Visitors Bureau, was formed in 1983 as a nonprofit entity. The CVB operates under a contract with Palm Beach County to provide tourism marketing services and management of the Palm Beach County Convention Center (Convention Center). The CVB budget for fiscal year 2005-2006 was $9,450,000, of which the total amount is from tourist development taxes, or "bed tax." The CVB budget for fiscal year 2006-2007 is $9,640,000, of which the total amount is from bed taxes. Other funding sources and revenues designated by the CVB as "private funds" are not included in the budget presented to the County.


ORGANIZATIONAL CHART
PALM BEACH COUNTY CONVENTION AND VISITORS BUREAU
FISCAL YEAR 2007
BOARD OF DIRECTORS
PRESIDENT/CEO OPEN
VICE PRESIDENT CORPORATE COMMUNICATIONS Enid Rosier
PROMOTIONS MNGR. OPEN
COMM SPECIALIST Lisa Oliphant
SECRETARY TO VP Elizabeth Marion
SECRETARY Melissa Gattuso
DIRECTOR, AIRPORT MARKETING Dick Haller
SECRETARY TO DIR. (half) Jean Colarossi
VICE PRESIDENT FINANCE & ADMINISTRATION OPEN
CONTROLLER Michael Valdes
BOOKKEEPER Linda Lehwald
DATABASE & APP SPRT. MGR. Reid Black
MGR OF NETWORK & DP SYSTEMS Steve Parsons
SECRETARY TO VP Open
(NON TOURIST TAX FUNDED)
DIRECTOR, MEMBERSHIP SERVICES OPEN
SECRETARY TO DIR. OPEN
VICE PRESIDENT MARKETING SERVICES Bill Bendale
SENIOR WEBMASTER Michal Adams
PUBLICATIONS SPECIALIST Michael Fennell
MARKETING SYS. MANAGER Tina Perales
MARKETING SRV/CNTR. MANAGER Alan Bernstein
MARKETING SRV COOR Amy McCants
MARKETING SRV ASST. OPEN
MARKETING SERV. SPEC. Romy Silvester
MARKETING SERV. SPEC. Deb Fleet
MARKETING SERV. SPEC. OPEN
EXEC. ASSISTANT / OFF. MGR Carmen Hamilton
ADMIN COOR. Maureen Liberta
RECEPTIONIST Jodi Sykes
VICE PRESIDENT TOURISM MARKETING Lisa Cromley
TM COORDINATOR Donna Cox
SECRETARY TO V.P. (half) Jean Colarossi
ADMIN COOR. Shelley Levine
SALES MGR. Domestic Sergio Pedia
SALES MGR. Domestic/Canada Eda Ruddock
SALES MGR. Europe Sophie Caerta
SALES MGR. Latin America Maria Gross
CONVENTION CENTER GENERAL MANAGER OPEN
SECRETARY TO GM. Terri Hallahan
SALES MANAGER Pamela Whitmore
SALES MANAGER Rebecca Bolton
ADMIN COORDINATOR Joannie Becker
SALES MANAGER Linda Stith
SALES MANAGER OPEN
SALES MANAGER OPEN
SALES MANAGER OPEN
SECRETARY Mary Brown
VICE PRESIDENT SALES, MEETINGS & CONVENTIONS OPEN
DIRECTOR OF SALES Manny O'Neill
SECRETARY TO V.P. Nan Silver
INFORMATION COORDINATOR Martha Parker
SALES MANAGER Connie Hunter
SALES MANAGER Emily Yoeser
SALES MANAGER Craig Cochran
CONV. SERV. MANAGER Yvonne McGill
GRP. SERV. SUPRT COOR. Holli Jones
GRP. SERV. SUPRT COOR. Jennifer Jacobs
ADMIN COORDINATOR Janet Richmond
ADMIN COORDINATOR Joyce Haines
REVISED 11/17/2007

FINDINGS & RECOMMENDATIONS

The Clerk & Comptroller's audit disclosed certain policies, procedures, and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the findings and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Gross mismanagement allowed misappropriation of funds at the Convention and Visitors Bureau

The CVB Controller misappropriated funds in the amount of $1,556,961, which is the amount known to date. The CVB's Controller has admitted to misappropriating funds. The misappropriations occurred during the period from June 4, 2003 to October 18, 2006. The misappropriations were effected by the Controller making checks payable to herself and forging official signatures. We identified a total of 222 checks made payable to the Controller (average of five checks per month), which included up to 14 checks written during the month of September 2004. The checks used for the misappropriation ranged from $2,796 to $14,605.50. Our primary role was to audit the appropriateness of accounting and management controls at the CVB. A separate forensic audit is currently being conducted by Cass, Levy & Leone, L. C., which may reveal additional misappropriations or other inappropriate activities.

The misappropriations went undetected for over three years as a result of gross mismanagement within the CVB. The amounts misappropriated did not involve a complex embezzlement scheme, which might be difficult to detect. In fact, the misappropriations were detected by the bank rather than any control or act of the management of the CVB. Had the Vice President of Finance & Administration (VPF&A) or the CEO exercised due care and reviewed as few as one or two bank statements and checks during the three-year period, the misappropriations could have been detected. As a part of our audit, we interviewed the Controller. She said the VPF&A "trusted me." An interview with the VPF&A confirmed this.

The misappropriations went undetected for over three years as a result of gross mismanagement within the CVB.

The lax controls over expenditures are part of a pattern of liberal spending in the CVB, with little management control and inadequate records. Examples of this pattern are noted in other findings.

RECOMMENDATION:

The CVB should:

A. Cooperate with law enforcement to pursue prosecution of the Controller and recover as much of the misappropriated funds as possible from responsible parties as noted in this report.

B. Implement all recommendations contained in this report.

C. Prepare and file with the IRS, Form 1099 for the Controller for the amounts of the misappropriations for each year she embezzled funds.

2. Public funds have been co-mingled and converted into "private funds"

The CVB is principally funded by the tourist development tax; however, the CVB has created additional revenue sources considered by the CVB to be "private funds," which it maintains in its own accounts. These revenue sources include, but are not limited to:

"Private funds", generated largely from County-provided resources, have been used for some activities that do not appear reasonable or necessary, such as travel perks for the CEO, parties for CVB staff, etc.

- Membership fees
- Board fees
- Exhibition sharing fees
- Reservation system fees
- Network and system maintenance fees
- Promotional items reimbursement
- Interest revenues from sweep account

These revenue sources have been established as a direct result of tax-supported activities, including staff time, office equipment, and reimbursed funds from the County. However, instead of returning these funds to the County to offset the County's expenses, the CVB has maintained these fees in its own accounts and used the monies for activities that may not be reasonable, necessary, or allowable under County policies. The end result is that the CVB, a private corporation, has used County resources for its benefit. In essence, this circumvents County control over these activities and expenditures.

We noted the following specific concerns:

A. "Private funds", generated largely from County-provided resources, have been used for some activities that do not appear reasonable or necessary, such as travel perks for the CEO, parties for CVB staff, etc. Adequate documentation was not available to justify these expenses as reasonable and necessary. We noted the following examples:

EXPENDITURES FOR GOLF, TICKETS, ETC.

Date	Vendor	Amount	Purpose
01/31/03	W.E. McLaughlin	$795.00	Orange Bowl Committee
04/18/03	Dolphin Stadium (Pro Player)	$5,694.00	Dolphins Season Tickets (4)
06/09/03	Orange Bowl Committee	$915.00	Orange Bowl Tickets (8)
07/11/03	Westchester Golf & Country	$300.00	Golf Tournament
09/26/03	PGA National Golf & Sports	$100.00	Golf Locker
12/04/03	Miami Dolphins Ltd.	$803.00	Dolphins Playoff Tickets (4)
03/10/04	Miami Dolphins Stadium (Pro Player)	$5,670.00	Dolphins Season Tickets (4)
05/27/04	Orange Bowl Committee	$1,795.00	Orange Bowl Tickets (8)
04/04/05	Chamber of Commerce of the Palm Beaches	$600.00	Golf Tournament
04/14/05	Dolphins Stadium (Pro Player)	$6,697.00	Dolphins Season Tickets (4)
05/13/05	PBC Hotel & Lodging Assoc.	$600.00	Golf Tournament
06/06/05	Orange Bowl Committee	$1,080.00	Orange Bowl Tickets (8)
08/23/05	W.E. McLaughlin	$300.00	American Express Annual Fee
12/14/05	Gershwin Theater	$253.00	Theater Tickets NY
04/06/06	Dolphins Stadium	$10,151.00	Dolphins Season Tickets (4)
04/19/06	W.E. McLaughlin	$1,637.96	Prize at WTM 5 nights PGA
05/03/06	PBC Hotel & Lodging Assoc.	$600.00	Golf Tournament
06/07/06	Winston Trails CC & Golf	$97.00	Golf Tournament

TRAVEL RELATED EXPENSES

Date	Vendor	Amount	Purpose
04/18/03	W.E. McLaughlin	$4,143.93	Travel
11/11/04	W.E. McLaughlin	$1,978.95	Airfare - Mark Foley
12/21/04	W.E. McLaughlin	$1,673.12	Lodging UK
12/14/05	Gershwin Theater	$253.00	Theater Tickets NY
04/19/06	W.E. McLaughlin	$1,637.96	Prize at WTM 5 nights PGA w/travel
09/13/06	Christine Hamblin	$109.16	Restaurant MA Trade Show

CHARITY GROUPS EXPENSES

Date	Charity Group	Amount	Purpose
02/21/03	LEAH	$2,500.00	Gala Seat
12/21/04	Amara Shrine Chapter	$6,499.98	Local Chapter
12/19/05	Boys & Girls Club	$10,000.00	Local Club

OFFICE/STAFF EXPENSES

Date	Vendor	Amount	Purpose
05/24/04	Love's Florist	$162.64	Flowers for Staff
12/21/04	W.E. McLaughlin	$807.28	Restaurant FL
12/21/04	W.E. McLaughlin	$490.20	Restaurant FL
04/14/05	Carmen Hamilton	$90.00	Costco
04/14/05	Love's Florist	$61.25	Flowers for Staff
04/19/05	Natures Bouquet	$55.00	Flowers for Staff
04/27/05	Natures Bouquet	$15.91	Flowers for Staff
05/13/05	Natures Bouquet	$248.32	Flowers for Staff
05/31/05	Natures Bouquet	$176.76	Flowers for Staff
07/28/05	Carmen Hamilton	$39.26	Kitchen Supplies
12/28/05	That's Entertainment Inc.	$400.00	Employee Holiday Party Entertainment
12/29/05	W.E. McLaughlin	$1,428.00	Restaurant FL
01/19/06	Convention Center	$2,340.00	Employee Holiday Party
02/06/06	Maloney & Porcelli	$1,383.95	Restaurant NY Strategic Planning
02/15/06	Belden's Florist	$133.13	Flowers for Staff
03/08/06	Carmen Hamilton	$104.25	Kitchen Supplies & Birthday Cake
05/17/06	Belden's Florist	$367.42	Flowers for Staff
07/07/06	Carmen Hamilton	$88.56	Birthday Party
07/07/06	Carmen Hamilton	$76.87	Kitchen Supplies
08/03/06	Magic Image	$10.65	Gift for Staff

MISCELLANEOUS EXPENSES

Date	Vendor	Amount	Purpose
01/31/03	W.E. McLaughlin	$492.40	Restaurant FL
03/26/03	Barnes Rugby Football Club	$5,696.11	Rugby Team Sponsorship
07/21/03	W.E. McLaughlin	$605.40	Restaurant FL
09/12/03	Enid Atwater	$288.00	Luncheon - Mark Foley
11/14/03	W.E. McLaughlin	$424.01	Restaurant FL
05/13/05	Barnes Rugby Football Club	$1,500.00	Rugby Jerseys
07/07/05	Crowne Plaza Oceanfront	$2,220.89	Catering
07/08/05	Mort Kaye	$3,393.75	Photography
07/28/05	Governors Club of the Palm Beaches	$512.82	Restaurant FL
08/23/05	W.E. McLaughlin	$765.95	Restaurant FL
10/19/05	Women's Chamber of Commerce	$1,000.00	Trump Special Event
12/29/05	W.E. McLaughlin	$262.10	Restaurant FL Board Member Dinner
01/25/06	W.E. McLaughlin	$384.04	Restaurant FL Board Member Dinner

Because the Controller was co-mingling private and public funds into one account, it is unclear whether public funds were used to pay for expenses that would not have been reimbursable under County policies.

Activities directly or indirectly funded with resources provided by the County should be subject to County scrutiny.

B. The Board of County Commissioners (BCC) approved an amendment to the County's contract with the CVB to include a provision that allowed tourist development taxes to be converted into "private funds."

For example, the CVB purchases exhibition space at various trade shows, which is reimbursable by the County. The CVB shares this space with organizations (local hotels, resorts, etc.) and charges the organizations a price based on the trade show and value of the exhibition space.

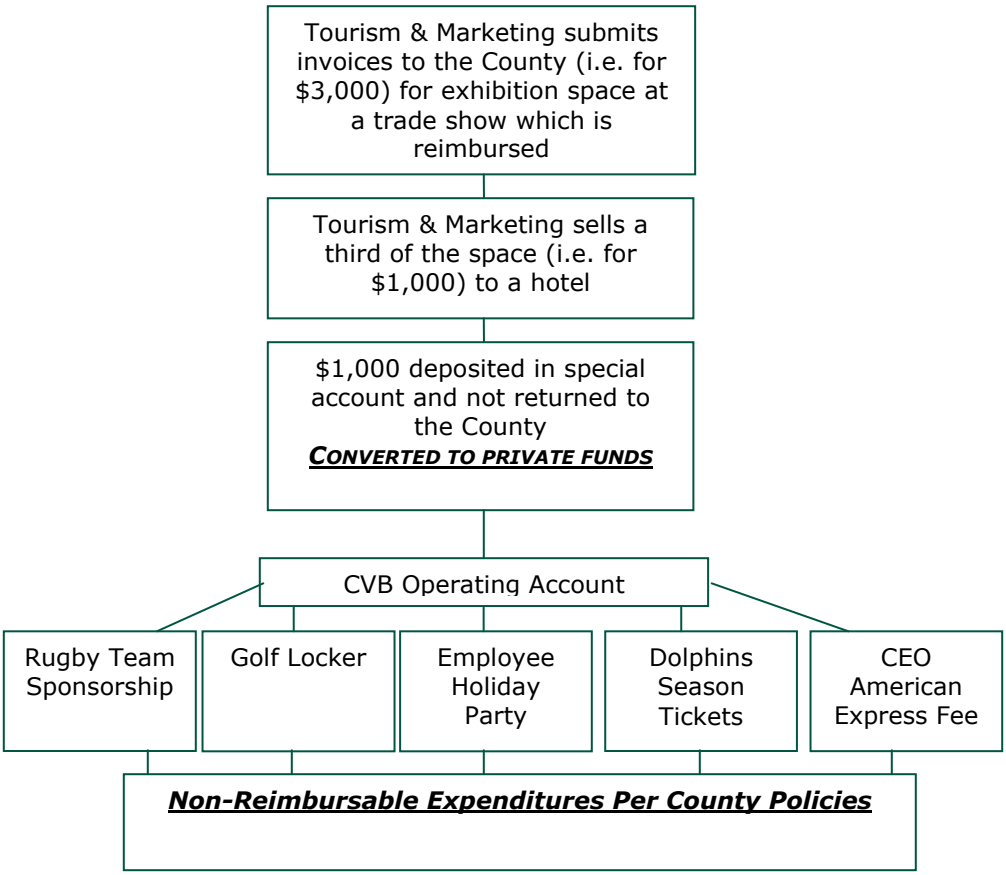
The BCC approved the contract on September 28, 1999. The amendment states:

> *"These monies will now be designated as private and will be used to pay for expenses incurred for the purpose of promoting Palm Beach County and some administrative expenses. They will not be remitted to the County as they have been in the past. These monies will be kept in a separate account with all sources and uses of funds accounted for."*

Because of this contract amendment, the CVB has been allowed to charge for sharing this exhibition space and to convert those funds for private use. Historically, these funds were remitted to the County as revenue to the tourism promotion fund.

C. The CVB maintains four separate local accounts. The revenues for each activity are to be maintained separately in each account as defined in the policies and procedures and the contract between the BCC and the CVB. Each individual account is to reimburse the operating account for expenses incurred for each area of operation within the CVB such as Memberships, Board Fees, Special Accounts, and Operating.

The following flow chart is an example of how public funds were converted to "private funds" by the CVB:



In essence, the CVB received funds from the County for an allowable activity. The CVB also received funds from private sources to pay again for the activity, and, rather than refund the money to the County, the CVB used the funds to pay expenses that would not be reimbursable under County policy.

The impact of the contract amendment was to allow for the conversion of public funds into "private funds" at the expense of taxpayers.

D. The following internally generated fees were charged or earned by the CVB as a direct result of tax-supported activities, including staff time, office equipment, and reimbursed funds from the County.

- Network and system maintenance fees
- Promotional items reimbursement
- Interest revenues from the sweep account

Instead of returning these fees to the County to offset or supplement tax revenues, they were converted into "private funds" and maintained in CVB accounts.

Because the Controller was able to have control of all accounts and money going in and out of each account, and because management was not reviewing any detail of the various accounts, the Controller was able to funnel most CVB funds through the Operating Account while maintaining minimal balances in "private funds" accounts. This prevented a proper accounting of all financial activity, combined public funds with "private funds," and prevented the proper separation and use of taxpayer funds.

RECOMMENDATION:

The CVB should:

A. Work with the BCC to rescind the contract amendment that allows the conversion of public funds to "private funds."

B. Transmit all CVB revenue to the County as reimbursement of taxpayer funds.

3. There are inadequate controls to monitor the use of the Convention and Visitors Bureau's "private funds"

The contract between the BCC and the CVB regarding "private funds" specifies the CVB:

> *"….shall incur and pay only such expenses as lawful, ordinary and necessary administrative and operating expenses incurred in connection with the marketing and promotion of Palm Beach County tourism…."*

The policies and procedures of the CVB state that "private funds" shall be spent consistent with the CVB/County contract.

CVB records reveal numerous instances of "private funds" being spent on various expenditures including benefits for the employees of the CVB, in potential violation of the CVB/County contract and the CVB's policies and procedures.

RECOMMENDATION:

The CVB should:

A. Eliminate "private funds" and process all revenue and payments through the County.

4. Lack of cooperation on the part of the external audit firm prevented a determination of the adequacy of its work

The following concerns were noted regarding the CVB's commercial financial statement auditing firm:

A. Several requests were made of the external audit firm to review their working papers, including its work product on the annual financial audits of the CVB. The external audit firm declined to provide any portion of its work papers unless the County signed a waiver that would prohibit the County from taking action in the event inadequate audit work was found. The waiver presented for signature stated:

> *"We understand that the purpose of your review is to assist you with your forensic audit of Discover Palm Beach County, Inc. For that purpose only, we will provide you documents that relate to that objective. These documents are being provided to you in the original form in which they were received to facilitate your investigation. All audit work has been expurgated from these documents.*
>
> *Because your review of these documents is undertaken solely for the purpose described above, and will not entail a review of all our working papers, you agree that (a) the information obtained from the review will not be used by you for any other purpose, (b) you will not comment orally or in writing to anyone as a result of that review as to whether our audit was performed in accordance with auditing standards generally accepted in the United States of America, (c) you will not provide expert testimony or comment on issues relating to the quality of our audits, and (d) except as contemplated by auditing standards generally accepted in the United States of America, you will not use the documents and*

> *working papers provided as evidential matter in rendering an opinion on the financial statements of Discover Palm Beach County, Inc."*

This waiver, if signed, would potentially prohibit the County from fulfilling its responsibilities in the event that inadequate audit work is found. If the firm was negligent in the performance of its audit, the firm could have liability regarding the misappropriation of funds. It appears the external audit firm failed to detect the misappropriations during the last three annual financial audits of the CVB. Although fraud detection is not the objective of the annual audit, the auditor does have certain due diligence responsibilities relating to material fraud. Additionally, the American Institute of Certified Public Accountants (AICPA) requires, under its Due Professional Care audit standard, that the audit firm perform minimal control procedures relating to internal controls.

B. The CVB Board of Directors has used the same audit firm to audit the financial statements of the CVB for over a decade. Best practices suggest that the Board of Directors select, through a competitive process, a new audit firm to audit financial statements at least every five years. The use of a different firm can provide an additional independent analysis of internal controls, which may uncover weaknesses or problems not uncovered in previous audits. It also can provide a new perspective and a more accurate representation of the financial position of the entity being audited.

RECOMMENDATION:

The CVB should:

A. Pursue the possibility of taking legal action against the accounting firm.

B. Implement an auditor rotation policy whereby a mandatory rotation of auditors would occur at least every five years through a competitive selection process.

C. Terminate the financial audit contract with the current external auditing firm and select a new auditing firm through a competitive process.

5. Issues relating to the Board of Directors should be addressed

A review of the structure and responsibilities of the CVB Board of Directors led to the following observations:

A. The CVB Board of Directors did not maintain proper oversight of the operations of the CVB. As a Board, the members have a responsibility for oversight of the CVB. This oversight includes approving various actions of the CVB, ensuring adequate policies, ensuring adequate accountability of executive management, and monitoring financial issues.

1) The Board of Directors is required by the contract to approve the CVB's policies and procedures each year. However, we found no record of approval by the Board since September 1999.

2) No documentation of communication between the Board and the external auditing firm was found regarding risks of the organization. The Board also does not have an audit committee, which would serve to communicate these risks and to monitor audit quality and results.

3) No approved detailed travel policy placing specific restrictions on travel and procedures for determining when it is cost-justified was found. There was no evidence of Board approval of the CEO's travel.

4) Numerous expenditures for entertainment were noted; however, no detailed Board policy requiring cost-justification and participant documentation was found. Lack of a specific policy could allow expenditures for personal use.

B. The Board of Directors has not established term limits. The Board consists of leaders in the Palm Beach County tourism industry, appointed by various organizations as well as representatives of local businesses. Each member serves a two-year term on the Board of Directors. Most Board members are reappointed because of their position within the appointing organization or position within the tourism industry. Term limits would allow for participation by a broader spectrum of tourism representatives and business leaders and would reduce the possibility of any perceived or actual conflicts of interest.

Other recommendations regarding the Board are found in other areas of this report.

RECOMMENDATION:

The CVB Board should:

A. Review and approve policies and procedures annually.

B. Establish an audit committee comprised of several Board members and, perhaps, outside citizens, to oversee the audits. Oversight would include auditor selection, approval of audit scope, audit status reports, reporting of results, and follow up with management on recommendations.

C. Develop a corporate travel policy that includes CEO travel criteria, requires cost justification for all travel, and mandates Board approval prior to CEO travel.

D. Develop a corporate policy on entertainment, which requires Board approval prior to all significant entertainment expenditures.

E. Enact term limits for all Board members.

6. Convention and Visitors Bureau's conflict of interest policy is not sufficient

A. The CVB does not have a comprehensive conflict of interest policy. Several situations were noted that could be conflicts of interest, at least in appearance, if not in fact. These situations include:

- Members of the Board of Directors had spouses employed by the CVB.
- Elected officials had spouses working for the CVB.
- Board members have been treated to meals by the CVB CEO.
- Elected officials have been consultants for the CVB.
- A relative of the CEO provided goods and services to the CVB.

No records were found to indicate that these conflicts of interest were reviewed and addressed. In order to have a successful

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operation and to gain and maintain the trust and confidence of the citizens and businesses of Palm Beach County, it is important that no conflict exist with officers, directors, agents or employees.

The County's contract with the CVB clearly states that:

> *"Conflict of Interest. Neither Discover Palm Beach County, nor its officers, directors, agents or employees shall acquire any interest, either directly or indirectly, which would conflict in any manner with the duties, obligations or the performance of services provided by this Agreement…."*

RECOMMENDATION:

The CVB should:

A. Develop, implement and distribute a comprehensive conflict of interest policy to include wording that no vendor or Board member may be related to any CVB employee. Require all officers, directors, agents, employees or vendors to sign a conflict of interest statement attesting that no conflict exists under the policy. All possible conflicts must be disclosed to the Board in writing.

B. Adhere to and enforce the conflict of interest policy.

7. Convention and Visitors Bureau does not have adequate fidelity bond insurance coverage to protect the County

The impact of the loss could have been mitigated had the CVB determined the appropriate amount of insurance coverage based on an assessment of the CVB's level of risk.

Approximately $1,556,961 was misappropriated over the last three fiscal years from the different CVB bank accounts. The impact of the loss could have been mitigated had the CVB determined the appropriate amount of insurance coverage based on an assessment of the CVB's level of risk. Instead, the CVB had a basic crime plus policy for only $300,000 coverage.

Prudent business practice requires that a certain level of risk may be allowable; however, failure to determine that level of risk exposed the CVB to a minimum loss of over $1.55 million and a current liability of over $800,000. The premium for the $300,000 policy was $1,723 per year.

RECOMMENDATION:

The County should:

A. Amend the CVB contract to include an appropriate level of fidelity bond coverage based on the CVB's level of risk. The CVB should work with the County to amend CVB's current contract to increase the fidelity bond coverage to a more appropriate amount. The required coverage should be analyzed in terms of potential loss to the CVB and the County.

8. Withholding taxes paid by the County to the Convention and Visitors Bureau were not paid to the IRS

Approximately $750,000 is due the IRS for payroll taxes for periods between December 2005 and September 2006. Payroll taxes appear to be one of the sources for the Controller's misappropriation of funds. The County reimbursed the CVB for the payroll taxes, which were never remitted to the IRS.

The County has already paid the CVB for payroll taxes and should not pay them again. All County expenditures must serve a public purpose. The contract between the County and CVB only allows County-approved activities for reimbursement with public funds. Non-County approved activities must be paid from private sources.

It is critical that the CVB immediately negotiate the resolution of this matter with the IRS. This negotiation should not include any repayment of withholding taxes by the County.

Because of this debt, along with the misappropriation of funds, we question the viability of the CVB as a going concern.

It is critical that the CVB immediately negotiate the resolution of this matter with the IRS. This negotiation should not include any re-payment of withholding taxes by the County.

RECOMMENDATION:

The CVB should:

A. Determine the total amount of back payroll taxes due and negotiate terms for their payment with the IRS.

B. Assume full responsibility for the IRS payment. The CVB should not request reimbursement from the County.

9. The Convention and Visitors Bureau Board of Directors' control of the Convention Center may create a conflict of interest

Representatives of the tourism industry who are members of the CVB Board could be in competition with the Convention Center. CVB Board members have the ability to affect the business of the Convention Center and to otherwise oversee their operations by voting on rate changes, contracts, policies, procedures, staffing, etc.

The following potential conflicts were noted:

- The CVB Board Chairman's company has the contract to build the Convention Center hotel.
- A member of the Tourist Development Council (TDC) Board also is part of the company contracted to build the Convention Center hotel project.
- A large number of the Board members are in the lodging industry and in direct competition with the Convention Center for meetings, conferences, and food and beverage business.
- A Board member's spouse works for the Convention Center.
- A Board member's organization is late on paying a Convention Center invoice.
- A Board member's organization entered into a contract with the TDC for consulting services.

A large number of the Board members are in the lodging industry and in direct competition with the Convention Center for meetings, conferences, and food and beverage business.

RECOMMENDATION:

The CVB should:

A. Rescind the Convention Center contract between the BCC and the CVB and use a competitive bidding process to select new management for the Convention Center facility. Alternatively, the County may consider assuming responsibility for the operations of the Convention Center.

10. County is advancing funds for payment in violation of the contract with the Convention and Visitors Bureau

The County is advancing funds for payment prior to the CVB expending the funds. Policies and procedures do not specify that documentation of payment of expenses be provided when seeking reimbursement from the County.

The contract between the CVB and the Board of County Commissioners specifies:

> *"Payments by the County shall be made to CVB in accordance with the fiscal procedures of the County as reimbursement for authorized expenditures or provision of goods or services, following CVB's determination that the goods and services have been properly provided, and upon submission of invoices by CVB to the Executive Director of the TDC or his designee, and a determination by the Executive Director of the TDC or his designee that the invoiced payments are authorized as defined above and that the goods or services covered by such invoice have been provided or performed in accordance with such authorization."*

In addition, pursuant to Florida Statute 125.014(4)(e), the Tourist Development Council is charged with continuously reviewing expenditures of revenues and shall report unauthorized expenditures to the county governing board and the Department of Revenue.

The CVB is submitting the invoices to the TDC and the County prior to payment of the invoices actually being made. For example, plane tickets could be purchased months in advance and submitted for reimbursement without the actual travel occurring. The term "reimbursement" means to make repayment for the expense incurred. The County is actually making an advance payment to the CVB for expenses prior to the money being spent. By not ensuring the payment actually has been made, the County is paying the CVB for expenses that may or may not exist even though an invoice may appear to be valid.

RECOMMENDATION:

The CVB should:

A. Provide documentation of the payment of expenses prior to seeking reimbursement.

11. Vice President of Finance & Administration failed to monitor financial activity

The misappropriation was discovered by a bank employee in late October 2006, and it was later determined that the misappropriation activities had been going on for over three years. Had the VPF&A properly managed and monitored the Controller's and the Bookkeeper's activities and responsibilities, the misappropriation could have been detected and/or prevented in a more timely manner.

…the misappropriation could have been detected and/or prevented in a more timely manner.

The position description for the CVB's VPF&A states:

"Essential duties and responsibilities include:

- *Establishes and monitors a system of internal controls to safeguard assets and maintain the integrity of Bureau operations and transactions.*
- *Supervises the maintenance of all financial records. Directs the periodic review of these records to ensure completeness.*
- *Reviews and approves disbursements; supervises accounts payable.*
- *Reviews and approves financial transactions.*
- *Reviews and monitors purchasing activities of department heads.*
- *Prepares reports for regulatory agencies and taxing authorities.*
- *Supervises the accounting and human resources functions.*
- *Responsibilities include interviewing, hiring, and training employees; planning, assigning, directing, and evaluating work; rewarding and disciplining employees; and addressing complaints and resolving problems."*

Additionally, job descriptions for other CVB positions state that the VPF&A is responsible for monitoring the functions of the Controller and the Bookkeeper to ensure that responsibilities are carried out in accordance with policies and procedures.

Duties at the CVB should be adequately segregated. The VPF&A's failure to monitor this aspect of internal controls allowed the Controller to have access and control over the bank accounts, checks, bank statements, and bank reconciliations.

The VPF&A resigned his position in November 2006. Until such time as a new VPF&A is hired, proper segregation of duties should be established, assigning another position that does not have access to funds.

RECOMMENDATION:

The VPF&A should:

A. Monitor and enforce a system of internal controls to ensure the controls are operating effectively.

B. Conduct regularly scheduled and unannounced financial reviews, to include bank reconciliations and bank account balances, to detect and prevent abnormalities.

12. Convention and Visitors Bureau lacks sufficient management over information technology activities

A. The CVB's Controller stated in an interview that she gambled on the Internet using CVB funds during working hours while using CVB's computers. The CVB's computer polices and procedures were last updated in 1997, and the policies only relate to general oversight. Rapid changes in technology require that the CVB management have a vision for information technology (IT) needs. Current CVB IT policies and procedures include no policy that would have restricted the Controller from engaging in these activities.

> The CVB's Controller … gambled on the Internet using CVB funds during working hours while using CVB's computers.

Basic IT policies should provide guidelines and restrictions for computer usage, Internet usage, security, e-mail usage, and expectation of privacy policies.

B. The CVB management did not renew a $1,000 licensing fee for its Internet-filtering software. Internet filtering software allows the IT staff to monitor and prevent (filter-out) employees from going to inappropriate websites, such as gambling, pornography, terrorist sites, etc.

C. The CVB has no approved off-site facility for back-up data storage. In an interview, an employee stated that he is responsible for taking CVB back-up data home weekly. In an emergency, such as a hurricane, the back-up data is given to multiple employees to take home. Without a secure off-site storage facility, there is a risk of data being lost or inappropriately used.

D. The CVB's IT function is decentralized. The CVB's organizational chart includes several employees whose duties are related to IT, e.g., Senior Webmaster, Data Base and Application Support Manager, Manager of Network and Data Base Systems, etc., however these employees report to different divisions. There is no IT plan that outlines the needs and goals of the CVB.

RECOMMENDATION:

The CVB should:

A. Update policies and procedures for computer usage, Internet usage, computer security, and e-mail use and eliminate the expectation of privacy for employees while using CVB computers.

B. Install and maintain Internet-filtering software.

C. Identify and use a secure, approved, off-site data storage facility for backup tape storage.

D. Merge all IT functions, operations, and systems under one division.

E. Develop and implement an IT strategic plan.

13. Segregation of duties is inadequate

A. In the absence of management oversight, the Controller deposited checks into various bank accounts, prepared checks for payment, received bank statements, and performed bank reconciliations, allowing for the misappropriation of funds to remain undetected.

The position descriptions for the Controller and Bookkeeper provide for the proper segregation of duties regarding the deposit of revenue and the disbursement of funds. However, the activities actually performed by the Controller and Bookeeper were contrary to the position descriptions.

Under proper segregation of duties, bank reconciliations should not be prepared by the same person that prepares the checks for payment or receives funds for deposit.

B. The preparer of expense reimbursement packets also picks up and deposits the reimbursement check.

This lack of segregation of duties could allow the preparer to potentially manufacture documents for reimbursement and keep and/or transfer the funds for non-CVB purposes.

RECOMMENDATION:

The VPF&A should:

A. Conduct regular assessments of the internal control systems to verify the controls are functioning as outlined in the policies and procedures and position descriptions.

B. Segregate the duties of preparing expense reimbursement packets and picking up and depositing checks.

14. Convention and Visitors Bureau's record management system does not provide adequate tracking of expenditures

A. Review of the CVB travel and/or expense reimbursement requests was an excessively cumbersome process due to the CVB's record management system's inability to access specific expenditures. The system is set up for the reimbursement of expense packets that are submitted to the County and not for the tracking of individual or event expenses.

To adequately manage financial resources and to ensure financial data is available to exercise management control, the accounting and filing system should facilitate locating individual or event expenditures, payments to each vendor, payment details and payments by category.

B. It is a common practice of the CVB staff to split a single travel expense reimbursement request between several expense reimbursement packets. The splitting of reimbursement requests is inefficient and causes confusion when trying to determine the full expense.

RECOMMENDATION:

The CVB should:

A. Obtain a record management system that identifies, tracks, analyzes, and locates specific expenditure information. The system should also have detailed reporting capabilities, including reports that cross-reference expense reimbursement packets by individual vendors, type of expenditure, etc.

B. Create a policy and procedure for the processing of reimbursement requests that requires, at minimum, the following: complete and legible expense reimbursement request forms, detailed information for each line item, breakdowns, receipts for all expenses, and timely submission.

15. Policies and procedures are inadequate to ensure proper internal controls

The policies and procedures for CVB's Finance division are insufficient to provide for proper internal control. The lack of adequate policies and procedures allowed the misappropriation of funds to occur without detection. The internal control system failed to detect significant misappropriations that were occurring on a monthly basis since June 2003.

CVB policies and procedures have not been updated since September 1999. The contract between the Palm Beach County Board of County Commissioners and the CVB requires the policies and procedures to be updated annually and be reviewed and approved by the TDC. This was not done.

While some policies and procedures do exist, they were never inclusive of all responsibilities and functions of the accounting function within the CVB. The responsibilities for each position were outlined in the position description, but there are no formal procedures documented in the policies and procedures that provided any guidance on performing a particular duty within the accounting function. The policies and procedures that are included are not followed nor referred to by the staff on a regular basis.

Accounting procedures and systems have changed significantly since the Policy and Procedures Manual was last updated. An accounting system was purchased and implemented by the VPF&A, but nothing has been added to the Policy and Procedure Manual regarding any changes resulting from the implementation of the new accounting software package. The policies and procedures regarding the new automated accounting system should include access rights, review policies, testing procedures, automated procedures, reporting requirements, and the Finance/Accounting Check List. The policies and procedures regarding the accounting function should include initiation and approval of transactions, making deposits, opening the mail, preparing bank reconciliations, completing the proper payroll tax forms, payroll, and monitoring of all activity.

The Policy and Procedures Manual does not provide the minimum definition of internal controls necessary to ensure there is a proper segregation of duties and that all accounting functions are performed properly. The Policy and Procedures Manual should include all internal controls related to the processing of transactions within the accounting system. The policies and procedures were not written in a manner that would allow any employee to reference them for guidance regarding any procedures.

RECOMMENDATION:

The CVB should:

A. Adhere to its contractual obligations and develop proper policies and procedures for each function within accounting as well as adequate segregation of duties.

B. Ensure the Board of Directors and Tourist Development Council annually review and approve policies and procedures. Ensure that all internal controls are in place and functioning in accordance with the policies and procedures.

16. The Convention and Visitors Bureau's Membership Program provides special benefits

The purpose of the CVB is to promote Palm Beach County as a tourist destination. A County ordinance was created to assess a tourist development tax on tourists who spend the night at a lodging destination in Palm Beach County. The tourist development tax is commonly referred to as the "bed tax."

The CVB annually produces promotional activities including various publications and the CVB Web site.

The CVB has established a Membership Program that provides local businesses with membership in the CVB for a fee. These fees are treated by the CVB as "private funds."

Membership fees established by the CVB are:

Membership	Fee
Corporate	$1,000
Business	$500
Associate	$250

Benefits of being a member of the CVB include hyper linking to the CVB Web site; referrals for client-requested services from groups booking meeting space; leads from groups booking the convention center; travel agent and tour operator leads; description listing in CVB collateral materials; and, opportunities to participate in trade shows, sales missions and press trips. Any businesses that are not members are not guaranteed to be mentioned in any publication or on the Web site unless they are prominent enough to be a tourist draw without any additional promotion. Some non-members are listed only by name and address whereas members receive additional descriptions of their business, including Web site addresses.

The bed tax that funds the CVB is collected on every overnight stay in Palm Beach County. The intent of the bed tax is to promote Palm Beach County as a destination. While the fee to become a member of the CVB provides greater visibility, the Membership Program provides a greater benefit to members at the cost of non-members. For non-members that may not be able to afford the membership fee, they may only be mentioned in CVB publications and the CVB Web site by chance and are not afforded the same benefits of being a Palm Beach County tourism business.

RECOMMENDATION:

The CVB should:

A. Eliminate the Membership Program and promote all Palm Beach County tourist businesses equally.

17. The CEO traveled extensively without adequate documentation of reasonableness and necessity, and in violation of County policies

A. The CVB's CEO had a history of extensive travel. It was not practical to determine the travel history beyond two years due to inadequate records. We identified the following examples of CEO travel:

Start	Finish	Location
02/02/05	02/04/05	New York
03/03/05	03/05/05	New York
03/10/05	03/20/05	Berlin
03/20/05	03/21/05	New York
04/20/05	04/21/05	New York
05/04/05	05/06/05	New York
05/16/05	05/17/05	Atlanta
06/20/05	06/22/05	Philadelphia
06/29/05	07/01/05	Dallas, Texas
08/02/05	08/06/05	San Diego
08/28/05	08/31/05	Toronto
09/14/05	09/16/05	New York
09/25/05	09/28/05	Denmark
09/30/05	10/08/05	Dublin, Ireland
10/01/05	10/02/05	London
11/03/05	11/04/05	New York
11/11/05	11/17/05	London
12/06/05	12/09/05	Las Vegas
01/30/06	02/01/06	New York
02/22/06	02/24/06	New York
03/06/06	03/13/06	Berlin
04/25/06	04/29/06	Argentina
05/15/06	05/18/06	New York
06/21/06	06/24/06	London
07/15/06	07/19/06	Canada
08/21/06	08/23/06	Boston
09/05/06	09/08/06	New York
09/25/06	09/28/06	Chicago
10/15/06	10/17/06	New York
11/01/06	11/11/06	London and Dublin

*This is not an all-inclusive listing of the CEO/President Travel for this period. Dates are based on the CEO's travel records.

B. The CEO also traveled first class on a number of occasions.

Date	Vendor	Amount	Purpose	Destination
01/20/05	Delta	$2,590.45	First Class/Business Travel	London
09/30/05	Delta	$1,799.65	First Class/Business Travel	London
11/10/05	Delta	$2,726.01	First Class/Business Travel	London
04/25/06	Delta	$1,928.00	First Class/Business Travel	Buenos Aires
07/15/06	Delta	$1,035.42	First Class Travel	Toronto
11/01/06	Delta	$2,834.24	First Class/Business Travel	London

Historically, the CVB has invited an important dignitary to attend the annual World Travel Market in London, and paid the full cost of the trip for the dignitary. Recent dignitaries included U.S. Rep. Mark Foley (2005) and former West Palm Beach City Commissioner Ray Liberti (2004). The 2006 dignitary was the Palm Beach County Administrator. The expense report for the CEO's recent trip to England and Ireland for the World Travel Market included two first class tickets, one for himself and one for the County Administrator. The County's travel policy prohibits reimbursement for first class tickets. All air travel is to be coach class.

On November 27, 2006, the TDC inquired as to the cost of the County Administrator's first class ticket in order to reimburse the CVB for the ticket. Furthermore, it was noted during our review that the CEO also had purchased a first class ticket on his CVB corporate credit card for the County Administrator's spouse. The CVB policy is that "no personal charges" are allowed on CVB corporate credit cards. Therefore, the CEO's purchase of the County Administrator's spouse's ticket is a violation of County policy. It is our understanding the spouse's ticket may have later been reimbursed.

C. The CEO also had significant expenditures for meals and entertainment, some within the Palm Beach area.

Date	Restaurant	Amount	Purpose (Number of people attending)	Average cost per Person
04/07/05	Morton's	$243.61	Meal/Entertainment (3)	$81.20
08/11/05	Morton's	$348.40	Meal/Entertainment (3)	$116.13
09/04/05	Redfield's Lounge	$121.32	Meal/Entertainment (2)	$60.66
09/25/05	Galioden	$125.59	Meal/Entertainment (2)	$62.80
10/04/05	Brinkley's	$122.65	Meal/Entertainment (2)	$61.33
10/18/05	Palm Beach Golf Club	$127.77	Meal/Entertainment (2)	$63.89
10/20/05	Gatsby's	$132.91	Meal/Entertainment (2)	$66.46
11/04/05	Pastis	$77.28	Meal/Entertainment (2)	$38.64
12/05/05	City Cellar	$262.10	Meal/Entertainment (2)	$131.00
02/06/06	Maloney & Porcelli	$1,383.95	Meal/Entertainment (6)	$230.66

RECOMMENDATION:

The CVB Board should:

A. Develop a travel and entertainment cost-benefit analysis as part of the annual marketing plan.

B. Approve all of the CEO's travel in advance.

C. Review all CEO expenditures to ensure all expenditures are reasonable, necessary and in compliance with County policy.

18. The CEO's full compensation package is not approved by the County

The CEO receives salary and benefits that are budgeted, approved and reimbursed by the County. In addition, the CEO receives monies from CVB's "private funds" that supplement the CEO's salary and benefits. These include, salary, bonuses, auto allowance, and additional benefits such as meals and entertainment, as noted below.

Annual Compensation	Oct.1, 2004	Oct.1, 2005	Oct.1, 2006
Salary from Tourist Development Taxes (County)	$145,355	$152,622	$160, 253
Salary from CVB Funds	$4,075	$4,278	$4,492
Total Salary	**$149,430**	**$156,900**	**$164,745**
Bonus From CVB Funds	$12,454	$13,800	$-0-
Auto Allowance from Tourist Development Taxes (County)	$4,800	$4,800	$4,800
Auto Allowance from CVB Funds	$1,200	$1,200	$1,200
10% Contribution to Pension Plans	$14,943	$15,690	$16,474
*Insurance Premiums - CEO	$6,624	$6,624	$6,624
- CEO's spouse	$8,928	$8,928	$8,928
Total Salary and Benefits	**$198,379**	**$207,942**	**$202,771**

*Shown at current rate for all years.

While the CVB currently pays the entire health insurance premium for all employees, it does not normally pay the premium for the employee's spouse. However, the CVB paid the $8,928 annual premium for the CEO's spouse.

Although the CVB is a private entity, it is principally funded by public tax dollars. The Board's use of "private funds" to increase County-approved compensation and benefits results in unapproved expenditures of County dollars. "Private funds" are generated as a result of the County's funding of the infrastructure and operations of the CVB. Therefore, any revenue generated by the activities of the CVB should be remitted to the County.

RECOMMENDATION:

The CVB should:

A. Compensate the CEO in compliance with the County's approved compensation package.

B. Remit to the County any revenue generated by the activities of the CVB.

19. Sweep account revenues are not remitted to the County

The CVB's operating account, reimbursed by the county with public funds, is used to pay daily expenses of the CVB. At the end of each day, the closing balance in the operating account is invested by the CVB into a "sweep account." A sweep account is an operating account that is zeroed out each evening and transferred to an investment account. The funds are transferred back to the CVB the next business day along with revenue generated from interest on the investments overnight.

The CVB considers revenue from the sweep account to be "private funds." Since the investment income is earned largely from the funds on hand as a result of advance payment by the County, the revenue should be considered public funds.

RECOMMENDATION:

The CVB should:

A. Remit all sweep account interest revenue to the County to offset County expenses

20. Convention and Visitors Bureau manages the computer network systems for the Tourist Development Council (TDC) and other organizations under the TDC

The CVB manages the computer network systems for the Tourist Development Council (TDC), the Cultural Council and Film and Television Commission.

A. The organizations under the TDC, including the CVB, are separate nonprofit organizations. This gives the CVB control of the computer network systems of these organizations, especially the TDC, which has oversight of the CVB. The CVB should not manage the computer network systems for the TDC and any other organizations under the TDC.

B. The CVB charges $1,500 per computer for approximately 20 computers for revenue of $30,000 per year. The staff and resources used to maintain the computer network systems are paid with public funds from tourist development taxes through normal payroll expenses. The revenue is deposited into the CVB's Special Account to cover expenses not reimbursed with public funds.

   This practice is another method the CVB uses to obtain private revenues from public resources.

RECOMMENDATION:

The CVB should:

A. Discontinue managing computer operations of the TDC and other organizations.

21. Online reservation system has not produced sufficient revenue to cover costs

The CVB has paid over $140,000 to a software vendor and pays $5,800 per month for service and maintenance for an online reservation system on the CVB Web site. The system allows users to make reservations for local hotels, car rentals and airline tickets.

In the CVB's 2004-2005 marketing plan, the goal of the online reservation system was to generate 11,947 bookings for the fiscal year, producing 47,788 room nights and $143,364 in transaction revenues for the CVB to offset the cost of system expenses.

In the CVB's 2005-2006 marketing plan, the goal of the online reservation system was to generate 22,728 bookings for the fiscal year, producing 68,184 room nights and $295,464 in transaction revenues for the CVB to offset the cost of system expenses.

The reservation system did not go online until February 23, 2006. Since that time, it has produced 36 bookings, 127 room nights, and $468 in transaction revenues. This reservation system competes with nationally recognized reservation systems and local providers (hotels, rental companies, and airlines). This reservation system has not produced sufficient bookings to recover the $140,000 expense on the system software. In addition, it has not produced sufficient bookings to recover the monthly maintenance and service fees charged by the vendor.

On December 1, 2006, the CVB Executive Committee voted to discontinue the online reservation system.

RECOMMENDATION:

The CVB should:

A. Eliminate the online reservation system.

B. Develop a detailed project planning methodology to ensure future projects are better planned and implemented. The methodology must include cost-benefit analysis.

22. The Convention and Visitors Bureau has used outside legal counsel to perform administrative tasks

The CVB routinely spends an average of $8,300 per month on legal expenses. From November 2001 to October 2006, the CVB has been billed approximately $490,000 for legal fees at $195 per hour. The same legal firm has been used exclusively for over ten years.

A review of some of the services billed by the firm appear to be administrative in nature, including compliance issues and Human Resources requirements. Normally, outside counsel would be used for unique circumstances or new areas where legality was an issue, not for routine administrative matters.

The following is a sample of administrative matters handled by the legal firm:*

- Providencia Award re-allocation of receipts
- Revise Personal Performance Objectives (staff)
- Review auditor's questionnaire
- Prepare letter to auditor's request for information
- Meeting Groups & Meetings Incentive Plan
- Review procedures for County approval of manual
- Prepare Board agendas
- Review bank signature cards
- Prepare flow charts
- Memo on financial accounts
- Change orders memo for software changes
- Prepared draft minutes of Executive Committee
- Revise performance standards
- PowerPoint presentations
- Methodology review of salary survey

*This is not an all-inclusive listing of the legal services provided for this period.

RECOMMENDATION:

The CVB should:

A. Re-evaluate the organization's policy for referral of matters to outside counsel.

B. Train staff to handle administrative functions previously handled by outside counsel.

23. Security of the automated accounting system's test database is insufficient

> The lack of security for the accounting system … provided a means for the Controller to write and print checks to herself that did not get posted to the General Ledger.

The lack of security for the accounting system's test environment provided a means for the Controller to write and print checks to herself that did not get posted to the General Ledger.

The test account database is a test/practice, second set of books to the actual books of the CVB. The test account's purpose is to provide a method for the staff to practice and test the accounting software package. The test account for the accounting system was not secured and purged after each test and/or practice session. Access was not limited or monitored. In addition, the Controller had access to the accounting system from home.

RECOMMENDATION:

The CVB should:

A. Require that IT be informed that the test account is being used. IT should review and then purge the test database after each test and/or practice session.

B. Monitor and review the history of the test account to ensure there is no unauthorized activity in the test account.

C. Designate a non-finance administrative staff member with read-only rights to periodically test the automated accounting system for unusual activity.

24. Insufficient policies related to computer access rights and tracking compromised the automated accounting system

For proper system security, access rights are limited by job responsibilities as defined in the position descriptions and policies and procedures. Adequate internal controls require a policy where access rights are also based on a proper segregation of duties.

The following concerns were noted in the review of the computerized accounting system controls:

A. The VPF&A had master access to the automated accounting system and was the only person designated to grant access rights to other employees. The VPF&A gave the Controller full access and change rights to the accounting system. Without proper monitoring and oversight, the Controller allowed the Bookkeeper to use her User ID and password to perform work within the system rather than have the Bookkeeper's access rights changed.

B. The accounting system has a tracking feature that was not enabled. This tracking system is designed to track system access and activity. The Controller's system activities from her home or office could not be tracked.

> The Vice President of Finance & Administration gave the Controller full access and change rights to the accounting system.

RECOMMENDATION:

The CVB should:

A. Activate the tracking feature within the automated accounting system and limit access and change rights.

B. Require all requests for access and change rights be submitted in writing, be reviewed by IT and authorized by management.

C. Monitor access and change rights.

25. Policies on password security are inadequate

A. The CVB does not have a policy on password security. The Bookkeeper stated she used the Controller's User ID and password to process payroll for a period of time. In addition, the Controller allowed the Bookkeeper to use her User ID and password to perform work within the accounting system. A standard password security policy would require employees to keep their passwords confidential.

   To maintain proper security, it is essential that the practice of sharing User ID's and passwords be strictly prohibited.

B. The CVB does not have a policy regarding changing passwords on a regular basis, which would help to prevent unauthorized use of passwords.

RECOMMENDATION:

The CVB should:

A. Establish a policy that all passwords are to be kept confidential.

B. Establish a policy that all passwords are to be changed on a regular basis.

26. Controls over voided checks are inadequate

No controls exist within the accounting system to track voided checks. The accounting system allows the user to change the number of the next check.

RECOMMENDATION:

The CVB should:

A. Implement security controls over voided checks.

27. Controls over check security are inadequate

A. Proper security measures were not in place for the safekeeping of blank checks. The Bookkeeper was responsible for keeping the checks locked in a drawer in her desk. After the termination of the Controller's employment, it was discovered that the Controller had in her desk a duplicate of the Bookkeeper's key.

B. The Controller was able to order multiple sets of checks out of sequence and have those checks mailed to her home, although her home address was not the official address of the CVB. The checks she ordered had check numbers that were duplicates of checks that had already been purchased by the CVB and that were kept in the CVB office. The checks were ordered from a check printing company that charges $1.95 for each order of checks for fraud defense. According to the description on the check printing company's Web site, the fraud defense features are represented to include:

The Controller was able to order multiple sets of checks out of sequence and have those checks mailed to her home….

- *"Fraud defense by (Name Deleted) is a proprietary fraud protection service designed to protect small business customers against check order fraud and reduce the risk of identity theft. We automatically screen your business check orders to help make sure someone else isn't using your business identity to their advantage. This exclusive service is only $1.95 automatically added to each business check order.* ***No other check supplier offers you this level of protection or peace of mind.***

- ***Order Screening*** *-- New check orders and reorders are screened automatically. Our proprietary software program evaluates the* ***account information*** *including routing/transit number and account number,* ***order behavior*** *and* ***contact information*** *against a comprehensive matrix of known fraud characteristics and indicators. Orders are also run against an* ***intelligence database*** *of fraudulent account information.*

- ***Phone Number Screening*** *-- Reorders called in from questionable locations are flagged and screened to eliminate risks to you.*

- ***Fraud Expert Evaluation*** *-- If we suspect an order, our Fraud Defense team steps in. These highly trained specialists delve into each questionable order using a variety of the latest fraud detection techniques. If we believe that the order is fraudulent, we will call the financial institution and inform them of the situation."*

The company also includes a disclaimer as follows:

Does Fraud Defense guarantee protection against fraud?	While Fraud Defense reduces incidences of fraud, (Name Deleted) does not guarantee that fraud will not occur. (Name Deleted) disclaims all liability and losses arising from any fraud incidents. We urge you to monitor your accounts carefully and to follow safeguards necessary to protect your personal information.

The fraud defense did not protect the CVB from fraud. The following are customary controls for the security of blank checks:

- Only authorized personnel should have access to the checks
- Ordering of checks should be limited to authorized personnel
- Checks should be kept in a safe, with access to the safe being tightly monitored
- Access to the safe should require two keys
- Logs should be maintained with the checks and signed by both key holders when checks are accessed
- The log should identify the check numbers removed from stock
- The log should be updated when checks are ordered and added to the stock

RECOMMENDATION:

The CVB should:

A. Implement controls over the ordering of checks and not rely on assurances made by check companies.

B. Establish procedures for the handling and safekeeping of checks.

C. Determine whether the CVB has a potential legal claim against the check-printing company.

D. Ensure checks are secure and that only authorized personnel have access to the checks.

E. Keep checks in a safe and tightly monitor access to the safe. The safe should require two non-duplicatable keys for access.

F. Maintain a check log to be signed by both key holders when checks are accessed and identify the check numbers removed from stock.

G. Update the log when checks are ordered and added to the stock.

28. Financial activity is not reported to division directors

The CVB Finance division does not create or distribute financial reports regarding activities of the various divisions to division directors or vice presidents. The misappropriation of funds may have been detected if a reporting mechanism had been in place. As an example, for memberships, the Membership Director prepared a daily deposit slip containing any funds received regarding the Membership Program. The Membership Director never received a report of the money transferred out of the Membership account and did not review the Membership bank statements.

Monthly reporting of expenses and revenues serves as an internal control to help ensure that financial transactions are properly performed.

RECOMMENDATION:

The CVB should

A. Create and distribute monthly financial activity reports for each of the division directors and vice presidents.

29. Controls over use of corporate credit cards are inadequate

Some CVB employees are issued corporate credit cards to charge CVB-related expenses. Employees are required to sign an "acknowledgement form" that indicates their agreement to the credit card policy. They also agree to indemnify the CVB and pay all personal charges.

A. The acknowledgement form is inadequate. For example, a CVB employee, incurred $6,000 in personal charges on the CVB corporate credit card. The CVB consulted with a CPA firm and utilized legal services to provide additional assistance in recovering the $6,000 after the employee was terminated. Due to the employee's non-payment and subsequent Chapter 7 bankruptcy filing, the CVB paid the $6,000 to the credit card company as well as the costs of the CPA firm and legal fees. Since this incident, the CVB has instituted a verbal policy on non-personal use of the corporate credit card.

B. It is a CVB practice to have corporate credit card statements mailed directly to the employee's home. Prior to payment of the bill, the employee receives reimbursement from the CVB for CVB-related activities on the bill. The employee is then responsible for full and timely payment of the bill.

The use of corporate credit cards is subject to abuse if strong internal controls are not present. To ensure the CVB does not incur obligations for unnecessary expenditures, controls over credit card usage should be strengthened immediately.

RECOMMENDATION:

The CVB should:

A. Require credit card bills be sent to the CVB's Accounting Department for direct payment rather than seeking reimbursement from CVB employees.

B. Obtain an immediate account balance upon termination of an employee by accessing the employee's corporate credit card account and reviewing outstanding charges. Any personal charges should be deducted from the employee's final payroll check.

C. Update the credit card acknowledgement form to include a "no personal use" provision. The policies and procedures should also be updated to reflect this.

30. Controls over mail opening and processing are inadequate

The Controller had all Finance Department mail sent directly to her, including the bank statements.

The CVB has no formal policy or procedure regarding the opening of mail. Such policies would address opening the mail, preparing a mail log, distributing the mail to appropriate departments and forwarding checks to Finance for deposit. As a result, funds received through the mail could be diverted without timely detection.

A. Mail is delivered directly to each department and there is no mail log to identify the sender or recipient. Checks received by each department are documented in the department and then forwarded to Finance for deposit. Finance endorses the checks, prepares a deposit slip, and sends the deposit receipt back to the receiving department.

There is no tracking or monitoring to ensure that all checks received at the CVB, regardless of the department, are forwarded to Finance and deposited into the correct account.

B. The Controller had all Finance Department mail sent directly to her, including the bank statements. The Controller took over the responsibility of making bank deposits in place of the Bookkeeper. According to the CVB position descriptions, it was the responsibility of the Bookkeeper to prepare and make all banking transactions. This was a violation of internal controls, which was not addressed by management.

   As a result of this violation, the Controller was able to default on payroll taxes, default in contributing to the pension funds, transfer funds between accounts, receive bank statements and copies of checks made payable to her, all without detection. The CVB should immediately implement a mail- and check-handling procedure

RECOMMENDATION:

The CVB should:

A. Establish a policy that requires mail be opened by a designated person having no access to bank accounts or financial records.

B. Generate a log entry for each check received in the mail.

C. Establish a policy requiring daily reconciliation of the mail log to the daily deposit slip by an employee with no access to cash or checks.

31. Procurement procedures are not specific

The contract between the CVB and the County contains guidelines that prescribe the bid requirements to be used in the procurement process. The contract does not provide sufficient detail regarding use of Requests for Proposal (RFP's), for example, when to use an RFP, how and when to advertise, evaluation of bids, and circumstances that would warrant the purchase of sole source items or services.

To prevent the appearance of favoritism or preferential treatment in the procurement process, it is essential that specific procurement policies be established and followed.

RECOMMENDATION:

The CVB should:

A. Develop written purchasing procedures detailing the use of comprehensive RFP's and sole source purchasing.

32. There is no centralized travel booking

Each employee of the CVB is responsible for making his or her own travel arrangements. This practice does not ensure travel is accomplished through the most economical means and increases the risk of abuse. For example, under the current system, an employee may make airline or hotel reservations based on personal preference rather than the most economical choice. Additionally, there are no controls in place to notify the County if an advance payment has been made for a trip that is subsequently cancelled.

A centralized booking system for the CVB would ensure adequate oversight of travel arrangements. Centralized booking should be required to book travel in the most economical means and manner, subject to minimum standards. Centralized booking procedures should include refunds to the County in the event travel plans are canceled.

Centralized booking would eliminate the need for individual employees to make their own travel arrangements or incur individual travel expenses. It would also centralize record keeping for travel expenses.

RECOMMENDATION:

The CVB should:

A. Establish a centralized travel-booking program to make all arrangements for CVB employees who are authorized to travel.

33. There is no centralized invoicing

There is no uniform process for invoicing or systems of control for remittance of payment throughout the CVB. Invoices are prepared by each individual department.

The Finance division should initiate all invoices and receive all remitted payments. A weekly report of invoices paid and payments received should be sent to each department. This would ensure that all checks are secured upon arrival and that all departments are kept up to date on invoices that have been paid or remain outstanding.

RECOMMENDATION:

The CVB should:

A. Develop a centralized invoicing function.

B. Develop an invoice and payment remittance tracking system.

C. Develop policies and procedures on invoicing and remittance of payments.

34. There is no centralized purchasing

Centralized purchasing should be required to purchase items in the most economical means and manner, subject to minimum standards. Currently, each division is responsible for their own purchasing. This practice does not ensure goods and services are obtained through the most economical means and could increase the risk of abuse. For example, under the current system, an employee may place orders based on preferences for certain brands of office supplies or equipment that may be more expensive than others.

Additionally, since payments for purchases are sometimes made by the County in advance, if a purchase is canceled or returned, the County may not receive reimbursement for goods and services not received.

RECOMMENDATION:

The CVB should:

A. Establish a centralized purchasing system.

CONCLUSION

There has been a complete breakdown of internal controls and lack of management oversight within the financial operations of the CVB. This created an opportunity for the Controller to assume some of the responsibilities of the Bookkeeper to prepare checks and make deposits and to have access and control over bank accounts, checks, bank statements and bank reconciliations. As a result, over the last three years, the Controller was able to misappropriate funds from the CVB in excess of $1.55 million.

…the viability of the CVB to operate as a going concern is questionable due to the significant losses it has sustained.

The sources of the misappropriated funds include:

- $750,000 in payroll taxes (resulting in additional fines, penalties, and interest levied by the IRS)
- $35,000 in pension funds for the employees
- Liquidation of "private funds" generated by the CVB, which include membership fees, Board fees and special activities

The CVB is principally funded by tourist development tax dollars ("bed tax"). These public funds have been co-mingled with "private funds" and public-funded resources have been used to generate "private funds" that are used for activities that may not be reasonable, necessary or allowable under County policies.

Although "private funds" are allowed by the CVB contract with the County, control is not exercised over the use of these funds and the benefit to taxpayers is questionable. The CVB's efforts to generate private funds in order to support an atmosphere of liberal spending are inappropriate.

The total loss to County taxpayers is not yet known. A forensic audit of the CVB is currently ongoing. However, the viability of the CVB to operate as a going concern is questionable due to the significant losses it has sustained.

The Controller was terminated on October 23, 2006, is under criminal investigation and has not been charged to date. The President/CEO and Vice President of Finance & Administration have resigned.

APPENDIX B:

BCC Agreement with Discover, Palm Beach County, Inc.
dated September 25, 2007 (2007 Contract)

Agenda Item #: 5 J – 2

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PALM BEACH COUNTY

BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

R-2007-1623

Meeting Date:	9/_25_/07	[ ]	**Consent**	[X]	**Regular**
		[ ]	**Ordinance**	[ ]	**Public Hearing**

Department

Submitted By: **TOURIST DEVELOPMENT COUNCIL**

Submitted For: **DISCOVER PALM BEACH COUNTY, INC.**

I. EXECUTIVE BRIEF

Motion and Title: STAFF RECOMMENDS MOTION TO APPROVE: Agreement with Discover Palm Beach County, Inc. d.b.a. Palm Beach County Convention & Visitors Bureau (the "CVB") for the provision of services under the County's Tourist Development Plan during the period October 1, 2007 through September 30, 2012 in the amount of $9,804,000.

Summary: The Agreement provides for the CVB to provide tourism marketing services under the County's Tourist Development Plan for a five-year period, from October 1, 2007 through September 30, 2012. The Agreement replaces the current contract, (Contract R-2006-1993) to update scope of work (including convention center long term sales and collaborative marketing of the convention center, governance and other contractual provisions). The new Agreement establishes (A) a new Exhibit "C" "Conflict of Interest Policy"; (B) new audit and finance committees; (C) term limits on auditing and legal services and re-bidding thereof; (D) industry certification; (E) updates for Fiscal Year 2008 Exhibit "A" – Annual Budget, and (F) Exhibit "F" – Performance Measures; (G) adopts revised Exhibit "B" – Moving Expense Policy, (H) Exhibit "G" – Travel Policy, (I) Exhibit "H" - Salary Policy, (J) Exhibit "I" - Salary Structure, (K) Exhibit "J" – Organizational Chart and other minor modifications. These changes have been reviewed and approved by the TDC. The new Agreement is for the amount of $9,804,000. In addition the following accounts are associated with the agency: indirect cost of $512,200, grants of $150,000 and transfers of $653,800 for a total of $11,120,000. (TDC) Countywide (MC)

Background and Policy Issues: Under the current Agreement, the CVB develops and implements the Annual Tourism Marketing Plan for the County. The new Agreement makes provision for the continuation of services and updating scope of work (including convention center long term sales and collaborative marketing of the convention center, governance and other contractual provisions) for an additional five years, through September 30, 2012. The new Agreement adopts a new Exhibit "A" (Annual Budget), as well as a new Exhibit "F" (Goals and Objectives), to apply during Fiscal Year 2008. The new Agreement also includes (i) a new position of Senior Vice President of Operations; (ii) incorporates annual reporting of staff ethnicity; (iii) revision to Exhibit "B" moving expenses capped at $25,000; (iv) Exhibit "G" (Travel Policy) providing prior approval requirements on travel and payment of gratuities; (v) revised Exhibit "H" (Salary Policy) eliminating bonus payments to President/CEO from tourist tax funds; (vi) revised Exhibit "I" (Salary Structure) maximum increased to accommodate President/CEO base salary from tourist tax funds; (vii) revised Exhibit "J" (Organization Chart) with revisions as necessary to conform to the CVB's budget. The new Agreement updates governance provisions incorporating (a) a new Exhibit "C" "Conflict of Interest Policy" for board members; (b) a new Exhibit "K" "Financial Policies and Procedures" in further segregating duties; (c) new audit and finance committees; (d) limits on length of service and re-bidding on auditing and legal services, and (e) certification of CVB by Destination Marketing Association International.

Attachments: New Agreement with all exhibits

Recommended by: _____
Department Director **Date**

Approved by: _____ 9/24/07
Deputy County Administrator **Date**

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2008	2009	2010	2011	2012
Capital Expenditures					
Operating Costs	$9,804,000	tbd	tbd	tbd	tbd
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	$9,804,000	tbd	tbd	tbd	tbd
# ADDITIONAL FTE POSITIONS (Cumulative)	- 0-	0	0	0	0

Is Item Included In Current Budget? Yes____ No.
Budget Account No.: Fund 1454 **Dept** 710 **Unit** 7420 **Object** 3401
Reporting Category_____

B. Recommended Sources of Funds/Summary of Fiscal Impact:
Discover receives 52.47% of the 2nd, 3rd, and 5th cent of the local option bed tax.
*In addition to the contract amount of $9,804,000, there is an additional $2,511,000 in direct county expenditures of $512,200, grants of $150,000 and transfers of $653,800.

A. OFMB Fiscal and/or Contract Administration Comments

9/21/07
OFMB

Contract Administration
Updated and correct insurance certificate is to be provided by Discover
This Contract complies with our contract review requirements.

B. Legal Sufficiency:

Maureen Teulle
Assistant County Attorney

C. Other Department Review:

_____
Department Director

ADM. FORM 01
(This Summary is not to be used as a basis for payment)

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PBCRDO

R2007 1623

AGREEMENT WITH DISCOVER PALM BEACH COUNTY, INC.

THIS AGREEMENT is made and entered into effective SEP 25 2007 2007, by and between Palm Beach County, a political subdivision of the State of Florida, acting by and through its Board of County Commissioners, (hereinafter referred to as the "COUNTY") and Discover Palm Beach County, Inc., a Florida not-for-profit corporation, whose Federal I.D. number is 59-232-1112, (hereinafter referred to as the "Bureau").

WHEREAS, pursuant to the Local Option Tourist Development Act, the COUNTY has by Ordinance No. 95-30, as amended, established the Palm Beach County Tourist Development Council (hereinafter referred to as the "TDC"); has levied and imposed a tourist development tax; and has established a Tourist Development Plan for use of the funds derived from the tax; and

WHEREAS, the Tourist Development Plan currently provides that 53.6 percent of the funds derived from such tax designated as "Category A" shall be used to promote and advertise Palm Beach County tourism in the State of Florida, and nationally and internationally; and

WHEREAS, the parties have previously entered into agreements whereby the Bureau, as an independent contractor, furnished the professional services necessary to assist the COUNTY in carrying out projects of the Tourist Development Plan; and

WHEREAS, the parties now wish to enter into an agreement for the provision of services for an additional term.

NOW, THEREFORE, in consideration of the above and the mutual covenants contained herein, the parties agree as follows:

1. Functions and Services. The Bureau shall assist the COUNTY in promoting and advertising Palm Beach County tourism in the State of Florida, and nationally and internationally, in furtherance of the Category "A" objectives of the existing Tourist Development Plan, by performing the following functions and services, all being subject to the overall direction and guidance of the TDC, through the Executive Director of the TDC:

A. Annual Marketing Plan. In cooperation and consultation with the Executive

Director of the TDC, with persons providing contractual services for the COUNTY's Tourist Development Plan (either directly with the County and through the Bureau under this Agreement), and with other interested persons, the Bureau shall develop an Annual Budget and a specific and detailed annual marketing plan (hereinafter referred to as the "Annual Marketing Plan") for accomplishing the purposes of Category "A" of the Tourist Development Plan. The Bureau will submit such Annual Budget and Annual Marketing Plan to the TDC's Executive Director and the County Administrator or his/her designee for review, modification and adoption by the TDC in conformance with COUNTY's annual budget approval process. The Bureau will implement such Plan as provided in subparagraphs B through R of this paragraph. Such Plan may be amended from time to time in the same manner as provided for its adoption.

B. Advertising. The Bureau shall develop and implement a Creative and Media Plan for tourism advertising in Palm Beach County as part of the Annual Marketing Plan. The Creative and Media Plan referred to in this subparagraph shall include themes, slogans, copy and graphics to be employed in print, media, and promotional materials, as well as marketing strategies.

C. Fulfillment. The Bureau shall develop a Fulfillment Plan as part of the Annual Marketing Plan, and implement such plan through the distribution of collateral materials in response to inquiries and leads generated through the advertising and promotion activities conducted hereunder.

D. Collateral Materials. The Bureau shall arrange for the design and production of collateral materials, including brochures and other printed materials, for use in inquiry fulfillment, trade shows, foreign representations, tour package promotions, groups and conventions sales, and other tourism promotion activities as provided in this Agreement and the Annual Marketing Plan.

E. Public Relations. The Bureau shall secure coverage promoting tourism in Palm

Beach County in appropriate media through feature articles, news accounts, and other forms, by developing press kits and photo libraries, conducting public relations seminars and press trips, developing media contacts, and through other appropriate means.

F. Tour Package Development. The Bureau shall arrange for the development of package tours for tourists in Palm Beach County through a program for necessary education, cooperation, and communication among tourist facilities, and travel and promotion agencies.

G. Consumer and Trade Shows. The Bureau shall provide for adequate attendance, staffing, and coordination, including booth development, set-up, and construction, for all TDC-approved trade and consumer shows, including but not limited to those described in the Annual Marketing Plan.

H. Familiarization Tours. The Bureau shall initiate and obtain adequate sponsorship, attendance, staffing, and coordination of familiarization/educational tours of Palm Beach County for travel agents, tour operators, meeting planners and media personnel.

I. Sales Missions. The Bureau shall ensure adequate staffing and coordination of sales calls to key travel industry personnel in targeted markets.

J. Cooperative Marketing Grants. In accordance with the guidelines, policies and procedures adopted hereunder, or as otherwise provided by the TDC, the Bureau shall solicit, receive, and review applications for grants for cooperative marketing activities for tourism-related special projects, including but not limited to events to increase tourism. Funded events will emphasize out-of-area publicity and Palm Beach County room nights. The Bureau shall make recommendations to the TDC and the COUNTY for approval or non-approval of such applications. The COUNTY may enter into contracts with applicants for the implementation of such grants. The Bureau shall serve as contract administrator with respect to such grants.

K. Foreign and Domestic Representation. To the extent provided in this Agreement

and the Annual Marketing Plan, the Bureau shall promote awareness of Palm Beach County as a tourism destination in key markets within and outside the United States by arranging meetings with, and distribution of promotional materials to, travel agents, tour operators, meeting planners, incentive buyers, and media personnel.

L. Promotional Items. In cooperation with the advertising agency and other contractors providing services for the COUNTY's Tourist Development Plan under this Agreement, the Bureau shall arrange for the development, production, and distribution of promotional items as needed in the implementation of the Annual Marketing Plan consistent with the themes of the Creative and Media Plan developed under subparagraph B of this paragraph.

M. Group Sales. The Bureau shall develop a Group Sales component of the Annual Marketing Plan, including quarterly and annual sales goals, and implement such plan through such activities as the operation of a clearinghouse to coordinate the booking of lodging and meeting rooms for group meetings, and the provision of registration personnel, name tags, message centers, and other logistical and other services, products, and materials and the support of related miscellaneous activities and functions. The Group Sales component shall include a program for sales of conventions, meetings, trade shows, and other events utilizing the Convention Center and associated with room nights in hotels located in the County. Such events shall be preliminarily defined as those being booked for an opening date that is at least eighteen months after the date of initial contact with the prospective client, and sales of such events are referred to herein as "long-term sales". It is the parties' intention that responsibility for events being booked into the Center less than eighteen months prior to the opening date of the event, referred to herein as "short-term sales", will be responsibility of the management firm operating the Center on behalf of COUNTY. The parties recognize that some events booking more than 18 months in advance but lacking substantial room night use will be treated as "short-term", and some

events booking less than 18 months in advance but with substantial room night use will be treated as "long-term". The Bureau will cooperate closely with the management firm operating the Center in making such determinations and in achieving the best possible combination of building revenue and hotel revenue, as shall be determined by COUNTY. Convention Center long-term sales will be fully integrated into the Group Sales program of the Bureau, with all group sales staff trained in the Center and charged with developing qualified leads for the Center. The group sales component shall also include a program of financial incentives for attracting group business that is competitive with current industry practices.

N. Convention Center Marketing. As part of the Annual Marketing Plan, The Bureau shall conduct a marketing program devoted to the Palm Beach County Convention Center. Such program shall include promotion of the Center through paid media, public relations, internet promotion, coverage in the Bureau's collateral, and trade shows, and shall be conducted in cooperation with County's contracted Convention Center operator and contracted Convention Center food and beverage services provider.

O. Online Marketing Presence. The Bureau shall develop, operate, update, and maintain a web site devoted to marketing Palm Beach County tourism in the State of Florida, nationally, and internationally. Such web site shall employ state-of-the art capabilities in accordance with highest standards of the industry. In the course of operating such web site, the Bureau may develop and operate a county-wide online reservation system using a third-party vendor, for use as a housing bureau for the Convention Center and as a booking service to be utilized by hotels and, as feasible, other tourist-related business in the County.

P. Visitor Services. The Bureau shall provide visitor information services at its offices and through other appropriate means, which may include cooperative arrangements with Palm Beach International Airport, chambers of commerce within the County, and

visitor information centers operated by the State of Florida.

Q. Glades Region Marketing. As part of the Annual Marketing Plan, the Bureau shall conduct a marketing program devoted to the region of Palm Beach County bordering Lake Okeechobee (the "Glades Region"). Such program shall include promotion of the Glades Region through paid media, public relations, internet promotion, coverage in the Bureau's collateral, and trade shows. The Bureau shall coordinate these marketing activities with other organizations funded by County tourist tax revenues.

R. Contributions of Goods and Services. The Bureau shall obtain and coordinate, as necessary to perform the duties and services set forth in this Agreement, for the benefit of the COUNTY's Tourist Development Plan, private contributions of goods and services, including but not limited to the providing or furnishing of meals, receptions, transportation, lodging, admissions and beverages.

S. Personnel. The Bureau shall employ, subject to the availability of funds allocated for such purpose and as set forth in the attached Exhibit "A", sufficient staff and support personnel to perform on behalf of the Bureau the duties and services called for in this Agreement. Any new full-time, part-time or contract position instituted during the term of this Agreement shall be approved in advance by the TDC. The Bureau personnel shall be located in the COUNTY's TDC leased office space.

T. Other Duties. The Bureau shall perform such additional related duties and services as may be required from time to time by the COUNTY. Such duties shall include the operation and maintenance of a computer network for the CVB, the TDC, and participating entities funded by the COUNTY's Tourist Development Tax, on terms consistent with this Agreement and in accordance with the budget for each such entity as approved by COUNTY. The Bureau may charge a prorated fee to such entities for this service. This revenue shall return to the DPBC ("Public Funds") operating account.

2. Selection and Termination of Contractors. The services described in subparagraph B of

paragraph 1 shall be provided by an independent contractor under contract with the Bureau. Services provided under subparagraphs C, D, E, F, G, H. I, K, L, M. N of this paragraph may be provided by independent contractors under contracts with the Bureau in accordance with the Annual Marketing Plan and the Annual Budget of the Bureau ("Exhibit "A") and subject to the provisions of this paragraph 2. The term of any such contract shall not extend beyond the expiration or earlier termination of this Agreement or any renewal thereof, and all such contracts shall expressly so provide. No such contract or agreement shall obligate the COUNTY in any manner to any third party.

All contractors shall be solicited and selected in accordance with procedures for the procurement of goods and services attached hereto as Exhibit "D", with procedures for maximization of participation of small business enterprises attached hereto as Exhibit "E", and with contracting policies and procedures, including a standard form of contract, adopted by the Bureau in accordance with paragraph 6 of this Agreement.

Any personnel or entities with which the Bureau enters into contracts for services pursuant to this paragraph 2 shall be specifically experienced in, and qualified for, the provision of such services. The Bureau shall monitor and evaluate the performance of all such contractors. The Bureau shall insure that all parties to such contracts provide a monthly report on the duties performed and services provided. The Bureau shall provide to the TDC a quarterly summary report of the results of such monitoring and evaluation, and shall take reasonable measures to assure the continued satisfactory performance of all contractors. Should the Bureau, after taking such reasonable measures, determine after consultation with the Executive Director of the TDC, that any such contractor has failed to perform in accordance with its contract, the Bureau shall terminate such contract with notice to the Executive Director of the TDC.

3. Compensation and Method of Payment. Costs incurred by the Bureau in performing the duties and providing the goods and services described in this Agreement will be paid by the COUNTY solely from Tourist Development Tax revenues designated for Category "A" of the

Tourist Development Plan. Payments to the Bureau shall be consistent with the Annual Marketing Plan adopted by the TDC and the Annual Budget adopted by the COUNTY, and shall be made only for expenditures which are specifically authorized by the COUNTY. The Bureau's Annual Budget as set forth in the attached Exhibit "A", as it may be amended by the COUNTY from time to time, shall constitute, as between the COUNTY and the Bureau, authorization of the expenditures provided for therein, provided that such expenditures are made in accordance with this Agreement.

Payments by the COUNTY shall be made to the Bureau in accordance with the fiscal procedures of the COUNTY as payment for authorized expenditures or provision of goods or services, following the Bureau's determination that the goods and services have been properly provided or the payment is due under the applicable contract payment schedule, and upon submission of invoices by the Bureau to the Executive Director of the TDC or his designee, and a determination by the Executive Director of the TDC or his designee that the invoiced payments are authorized as defined above, ~~and~~ that the goods or services covered by such invoice have been provided or performed or the payment is due under the applicable contract payment schedule in accordance with such authorization, and that there has been no offset or reduction of the claimed expense by private funding or contribution of goods and/or services.

Each invoice submitted by the Bureau shall include reference to its previous authorization and shall be itemized in sufficient detail for audit thereof, and shall be supported by copies of the corresponding vendor invoices and proof of receipt or performance of the goods or services invoiced.

It is mutually agreed that the Bureau shall promptly review and submit to the COUNTY invoices received in good order, and that the COUNTY shall promptly pay to the Bureau on a continual basis amounts properly payable under this Agreement and supported by receipted invoices submitted by the Bureau. Any travel and entertainment expenses incurred by the Bureau may be reimbursed to the Bureau by the COUNTY only upon the express written approval of the Executive Director of the TDC or his designee and within the limitations imposed by law upon

COUNTY. Moreover, COUNTY shall not pay the Bureau unless and until the Clerk of the Board of County Commissioners pre-audits payment invoices in accordance with law, and subject to the conditions, if any, attached to said approval.

The Bureau shall be paid for its actual costs not to exceed the total amount for the various items, and up to the maximum amounts budgeted therefore, as set forth in the Bureau's Annual Budget, included in the attached Exhibit "A". The amounts applicable to the various line items of Exhibit "A" can, subject to the maximum total amount, be increased or decreased by up to 10% at the discretion of the Bureau; adjustment in excess of 10% of any line item must be authorized by the TDC.

In the event the Bureau encounters unanticipated necessary expenses in performing services to be provided by the Bureau under this Agreement, the Bureau may request said expenses to be included on an amended Exhibit "A" for reimbursement by COUNTY from available tourist tax revenues and COUNTY shall consider, but shall not be obligated to grant, said request.

4. Reserved.

5. Reporting. The Bureau shall provide certain reports to the TDC, through the TDC's Executive Director, on a regular basis. These reports shall consist of (1) monthly reports which shall consist of a summary of the duties and services which have been performed pursuant to this Agreement; (2) semi-annual reports relating to Performance Measures as specified in paragraph 6.B., and quarterly reports of the results of monitoring and evaluation of contractors as specified under paragraph 2 of this Agreement; and (3) any other reports as may be requested by the TDC's Executive Director that relate to the duties and responsibilities of the Bureau under this Agreement.

6. Policies and Procedures; Performance Criteria.

A. Policies and Procedures. The Bureau shall submit to the TDC for its approval guidelines, policies and procedures which, upon approval by the COUNTY, shall further govern the Bureau in its performance of the duties and services contemplated by this Agreement. The guidelines, policies and procedures shall be reviewed at least annually to

determine if they are appropriate and accomplishing their intended purposes. Revisions may be made when deemed necessary by the parties. The Bureau shall in the performance of its duties provided for in this Agreement, adhere to and act in conformity with the policies set forth in the following attachments:

Exhibit "B" - Moving Expense Reimbursement Policy for Employees Hired in Selected Positions
Exhibit "C" – Conflicts of Interest Policy
Exhibit "D" - Procurement Policy
Exhibit "E" - SBE Policy
Exhibit "F" - Performance Measurements
Exhibit "G" - Travel Policy
Exhibit "H" - Salary Policy
Exhibit "I" - Salary Ranges
Exhibit "J" - Organizational Chart

The provisions of this Agreement, including the policies set forth in Exhibits "B", "C", "D", "E", "F", "G", "H", "I", "J", and "K" shall control over any provisions of the Bureau's guidelines, policies and procedures which may be in conflict with the provisions hereof, except any guideline, policy, or procedure which may hereafter be adopted by the Bureau and approved by the COUNTY. Should the COUNTY adopt an ordinance, policy, or an amendment thereto, that is inconsistent with the provisions of Exhibits B through J, the parties agree to modify such exhibits as necessary to conform with such ordinance or policy.

B. Annual Review; Performance Measures. The Executive Director of the TDC will prepare and submit to the TDC and the Chair of the Bureau an annual written evaluation of the Bureau's performance of its duties under this Agreement. In the performance of its duties under this Agreement, the Bureau agrees to make all good faith efforts to achieve the performance measures, attached hereto and incorporated herein as Exhibit "F", or provide written justification acceptable to the TDC as to why such performance measure was not achieved. Such Exhibit shall be updated annually as part of the Annual Marketing Plan approved by the TDC under paragraph 1.A.

C. Bureau President/CEO. The Bureau shall hire and appoint a President/CEO who shall be an employee of the Bureau, and who shall have the day to day responsibility for the performance of the duties and obligations of the Bureau. The Executive Director of the TDC and the County Administrator or his designee shall participate in the interview process for the Bureau's selection of a President as voting members of any committee appointed to make recommendations to the Bureau's Board of Directors. The Bureau may use the services of a paid search firm to assist in the selection of the President/CEO. The President shall fully cooperate and work with the Executive Director of the TDC to insure that the activities of the Bureau and the contractors provided for herein are in conformance with the Annual Marketing Plan. The activities of the Executive Director of the TDC and the President of the Bureau shall be coordinated so as to be complementary and to minimize duplication of effort. The activities of the President (on behalf of the Bureau) shall be of a daily operational and marketing nature, while the activities of the TDC's Executive Director (on behalf of COUNTY) shall be managerial, administrative and policy oriented in nature. The Bureau shall continuously keep the Executive Director of the TDC fully informed as to all activities of the Bureau so as to enable the Executive Director to effectively provide overall direction and guidance for the COUNTY's Tourist Development Plan as established by the TDC and the COUNTY. The Executive Director shall serve as an ex-officio member of all committees and sub-committees of the Bureau. The Bureau will report the results of the annual performance and salary review of the Bureau's President to the TDC at the TDC's next regularly scheduled meeting, but in no event later than sixty (60) days after the end of the corresponding COUNTY fiscal year.

D. Bureau Employees; Conditions of Employment.

(1) The Bureau shall make a good faith effort to attract the best available employees by advertising in selected daily newspapers of general circulation and appropriate trade publications, including the Destination Marketing Association

International (DMAI) job listing.

(2) The salaries provided by the Bureau to its employees shall be in conformity with the position-specific salary ranges set forth in its guidelines, policies and procedures, attached hereto as Exhibit I. Any increase in the annual salary of an employee of the Bureau which is funded from revenues derived from the Tourist Development Tax shall be in conformance with the Salary Policy attached as Exhibit "H".

(3) The car allowance provided to the President of the Bureau which is funded from revenues derived from the Tourist Development Tax shall be in conformity with the COUNTY's policy on car allowances for department heads.

(4) The Bureau may offer to its employees a qualified defined contribution pension plan. Contributions to such plan shall not exceed ten percent of the employees' actual salaries. The Bureau shall incorporate the provisions of such plan into the policies and procedures of the Bureau, and shall notify COUNTY of any proposed revision to the plan prior to implementation in accordance with subparagraph (a) of paragraph 6 of this Agreement.

E. Contracts; Independent Contractor. All contracts for professional and consulting services entered into by the Bureau under this Agreement shall be in writing and shall state that the Bureau is an independent service contractor of COUNTY and does not have the authority to enter into any contract on COUNTY's behalf or to bind COUNTY to any such contract and shall further state, unless consented to by COUNTY, that COUNTY shall not be liable for any services rendered or goods delivered under said contracts regardless of the receipt by COUNTY of any benefits thereunder.

F. Approvals by County. Any approvals, adoptions, consents or acceptances of COUNTY required by this Agreement shall require the prior written approval, adoption, consent or acceptance of the Board of County Commissioners of Palm Beach County and

shall as a condition precedent to said approval, adoption, consent or acceptance of the Board of County Commissioners of Palm Beach County require action by the TDC in accordance with Ordinance No. 95-30, as amended, and Resolution R-83-944 as it may be amended from time to time. The Executive Director shall place all items to be considered by the TDC on the meeting agenda thereof and shall make his recommendation to the TDC on any item.

G. Property Control. All furniture or equipment acquired by or for the use of the Bureau which was or will be paid for by or reimbursed from Tourist Development Tax funds shall be purchased in accordance with the COUNTY's purchasing procedures and guidelines and shall be subject to the tagging and inventory requirements of Chapter 274, Florida Statutes, and applicable property control procedures of the COUNTY. Said furniture and equipment shall be and remain the property of COUNTY. The Bureau shall use the furniture and equipment in a careful and prudent manner and shall maintain it in good repair and condition ordinary wear and tear excepted. The Bureau shall make no alterations, repairs or improvements to the furniture or equipment without first obtaining the prior approval of the Executive Director of the TDC.

H. Financial Procedures; Accounting and Use of Non-Tourist Tax Funds. The Bureau's policies and procedures shall make provision for one or more separate accounts for receipt of non-tourist tax revenues received by the Bureau such as membership dues, participation fees, and contributions ("Private Funds"), and for the payment from such accounts of expenses of the Bureau that are not reimbursed pursuant to paragraph 3 of this Agreement. Private contributions shall reduce and/or offset requests for County payment or reimbursement or be used to pay for expenses which are not eligible for Tourist Development Tax revenues. The Bureau shall incur and pay only such expenses as are lawful ordinary and necessary administrative and operating expenses incurred in connection with the marketing and promotion of Palm Beach County tourism, including, when

applicable, marketing of the Palm Beach County Convention Center and long-term sales of the Center as described in paragraph 1 of this Agreement.

Within sixty (60) days of the effective date of this Agreement, the Bureau shall establish a written policy which shall set forth financial procedures for the handling and management of "Private Funds". The Bureau shall submit such policy to the Executive Director of the TDC for review and approval by the TDC. Thereafter, the Bureau shall comply with such policy and shall review and provide proposed updates to the policy to the TDC annually.

I. Annual Audit. The Bureau shall have an audit of its finances conducted annually by a qualified independent auditor in accordance with generally accepted accounting principles. The report of such audit shall be available for inspection pursuant to paragraph 12 of this Agreement. The Bureau shall provide a copy of the audit report along with the accompanying management letter to each member of the TDC. The auditor and the Chairman of the Bureau's Board of Directors will present the audit to the TDC Audit Committee and the TDC.

J. Establishment of Audit and Finance Committees. The Bureau will establish and continue in effect during the term of this Agreement an Audit committee composed of members of the Board of Directors and such others as needed to properly review expenditures and accounting procedures and verification of assets. The Audit Committee will select the audit firm per the following schedule:

1. The firm will be replaced not less than every five (5) years.

2. The contract with the firm will consist of an initial term of three (3) years, with an option on the part of the Bureau to enter into a two year extension.

K. Legal Counsel. Bureau Legal Counsel will be rebid at least every five (5) years; however, the Bureau is not required to hire a different counsel. The contract with the legal firm will consist of an initial term of three (3) years with an

option on the part of the Bureau to enter into a two-year extension.

L. Certifications. The Bureau will achieve certification by Destination Marketing Association International by the end of Fiscal Year 2009.

7. Independent Contractor. The Bureau is and shall be in the performance of all work, services and activities under this Agreement an independent contractor and not an agent or servant of the COUNTY. The officers, employees, servants and agents of the Bureau shall not be considered to be officers, employees, servants or agents of the COUNTY. All persons engaged in any of the work or services performed pursuant to this Agreement shall at all times, and in all places, be subject to the Bureau's sole direction, supervision and control. The Bureau shall exercise control over the means and manner in which it and its employees perform the work, and in all respects the Bureau's relationship and the relationship of its employees to the COUNTY shall be that of an independent contractor and not as officers, employees, agents or servants of Palm Beach County.

8. Non-Discrimination. During the performance of this Agreement, the Bureau agrees as follows:

A. The Bureau will not discriminate against any employee or applicant for employment upon the grounds of race, religion, color, national origin, sex, age, handicap, disability, sexual orientation, or marital status, with respect to, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

B. The Bureau will provide to the TDC an annual report which will then be submitted to COUNTY's Board of County Commissioners at its request on the ethnic/racial composition of the Bureau's staff. Such report shall be based upon a survey in which each employee's participation is voluntary, and shall include the categories of white, black, Asian, Hispanic, Native American, and "other".

C. The Bureau will not discriminate against any subcontractor, potential contractor or participant hereunder, upon any of the above prohibited grounds. 9. Non-Competition. The Bureau shall not provide services or perform duties of a nature substantially similar to those contained in this Agreement regarding any resort area or tourist attraction on behalf of any association, corporation, person, group, or public or private agency or any other legal entity, other than Palm Beach County.

10. Certification of Conduct. The Bureau hereby certifies that it will not attempt in any manner to improperly influence any specifications, or be unlawfully restrictive regarding any purchase of services or commodities by the COUNTY.

11. Certificate of Authority and No Conflict. The Bureau hereby certifies that it is legally entitled to enter into this Agreement with the COUNTY, and that it is not and will not be violating either directly or indirectly any conflict of interest statute or any other applicable statute by the performance of this Agreement.

12. Availability of Records.

A. The Bureau shall maintain and preserve records, books, documents, papers and financial information pertaining to work performed under this Agreement. The Bureau agrees that the COUNTY, or any of its duly authorized representatives, until the expiration of three (3) years after final payment under this Agreement or until the expiration of three (3) years after the termination of this Agreement, whichever occurs last, shall have access to, and the right to examine, any pertinent books, documents, papers, and records of the Bureau. In the event that such audit is in progress at the expiration of the aforementioned three (3) year period, access to and the right to examine will continue until completion of such audit.

B. The parties expressly agree that any and all records of the Bureau relating to this Agreement are to be considered public records, subject to the provisions of Chapter 119, Florida Statutes.

C. During the term of this Agreement, the COUNTY is hereby granted the power to designate any or all records of the Bureau as public records under Chapter 119, Florida Statutes, by resolution of the Board of County Commissioners, making such designation, regardless of whether said records are presently deemed public records by law.

13. Findings Proprietary. Any reports, information or data given to, prepared or assembled for or by the Bureau under this Agreement which the COUNTY requests be kept as proprietary shall not be made available to any individual or organization without the prior written approval of the COUNTY, unless otherwise required by law. No material produced in whole or in part hereunder shall be subject to copyright in the United States or in any other country by any party other than by the COUNTY or by the Bureau under conditions specified herein. The COUNTY shall have the unrestricted authority to publish, disclose, distribute, and otherwise use any reports, data, or other materials prepared under this Agreement.

14. Intellectual Property. All logos, slogans, trademarks, trade names, written copy, layout, production materials, formulas, recipes, and other intellectual property created by or on behalf of the Bureau or the COUNTY under this Agreement or otherwise under Category "A" of the COUNTY's Tourist Development Plan shall be the property of the COUNTY, and the Bureau hereby assigns to the COUNTY any and all rights the Bureau has or may acquire in such intellectual property, including but not limited to the trade name "Palm Beach County Convention and Visitors Bureau". The COUNTY hereby grants a nonexclusive license to the Bureau for the use of such intellectual property during the term of this Agreement for the purpose of carrying out the Bureau's duties under this Agreement; provided, that such use shall be subject to the terms of this Agreement including required approvals by the COUNTY, and provided further, that any and all revenues derived from such use by the Bureau shall be applied solely to the performance of the Bureau's duties under this Agreement in accordance with its terms, and any such revenue not so applied shall be remitted by the Bureau to the COUNTY. The Bureau shall take no action inconsistent with the COUNTY's rights in such intellectual property, and will take reasonable

actions, including registration or assignment of trademarks and trade names, as necessary and appropriate to protect the COUNTY's rights in such property. The Bureau is authorized and directed to include the COUNTY's name and logo and the names of the current members of COUNTY's Board of County Commissioners in any publications of the Bureau for ~~local~~ distribution such as a tourism newsletter, annual report, and the like, as feasible and appropriate.

15. Prohibition of Assignment. The Bureau shall not assign, sublet, convey or transfer in whole or in part its interest in this Agreement, without the prior written consent of the COUNTY.

16. Conflict of Interest. Neither the Bureau, nor its officers, directors, agents or employees shall acquire any interest, either directly or indirectly, which would conflict in any manner with the duties, obligations or the performance of services provided for in this Agreement. The Bureau shall promptly notify the TDC and the COUNTY in writing of all potential conflicts of interest, and specify the association, interest or other circumstance which may appear to influence the Bureau, its officers, directors, agents or employees. In the event the County Attorney's Office shall determine that such association, interest or other circumstance would constitute a conflict of interest, the Bureau, its officers, directors, agents or employees shall take all action necessary to resolve the conflict of interest. In addition, the Bureau's bylaws or policies and procedures shall incorporate the Conflicts of Interest Policy attached hereto as Exhibit "C".

17. Authority to Practice. The Bureau hereby represents and warrants that it has and will continue to maintain all licenses and approvals required to conduct its business, and that it will at all times conduct its business activities in a responsible manner. Proof of such licenses and approvals shall be submitted to the COUNTY upon request.

18. Insurance. The Bureau shall not commence work under this Agreement until it has obtained the types of insurance required in this paragraph and such insurance has been approved by the COUNTY.

A. Certificate of Insurance. All insurance policies shall be issued by companies authorized to do business under the laws of the State of Florida. The Bureau shall furnish

Certificates of Insurance to the COUNTY prior to the commencement of operations. The certificates shall name the COUNTY as an additional insured, and shall clearly indicate that the Bureau has obtained insurance of the type, amount, and classification as required for strict compliance with this paragraph and that no material change or cancellation of the insurance shall be effective without thirty (30) days prior written notice to the COUNTY. Compliance with the foregoing requirements shall not relieve the Bureau of its liability and obligations under this Agreement.

B. Comprehensive General Liability Insurance. The Bureau shall maintain during the life of this Agreement and any renewal thereof, comprehensive general liability insurance, including contractual liability insurance, in an amount no less than $1,000,000 per occurrence to protect the Bureau from claims for damages for bodily and personal injury, including death, as well as from claims for property damage which may arise from any operations by the Bureau or by anyone directly employed by or contracting with the Bureau.

C. Comprehensive Automobile Liability Insurance. The Bureau shall maintain, during the life of this Agreement and any renewal thereof, comprehensive automobile liability insurance in the minimum amount of $1,000,000 combined single limit for bodily injury and property damage liability to protect the Bureau from claims for damages for bodily and personal injury, which may arise from the ownership, use, or maintenance of owned and non-owned automobiles, including rented automobiles, whether the operation of such automobiles be by the Bureau or by anyone directly or indirectly employed by the Bureau.

D. Workers' Compensation Insurance. The Bureau shall maintain during the life of this Agreement, or any renewal thereof, adequate workers' compensation insurance and employers' liability insurance in at least such amounts as are required by law for all of its employees in accordance with Chapter 440, Florida Statutes.

E. Fidelity Bond. The Bureau shall maintain in force during the life of the Agreement a Third Party Commercial Fidelity Bond in the amount of One Million Dollars ($1,000,000) written on a blanket basis covering all officers, directors, employees and agents who have custody of or access to any revenues, monies or finances; provided, however, that such bond may initially be in such lesser amount (but in no event less than Three Hundred Thousand Dollars ($300,000)) as may be available in the marketplace after diligent effort; and provided further, however, that in such case the Bureau will reapply for coverage in an amount not less than One Million Dollars ($1,000,000) within one hundred and twenty (120) days from the effective date of this Agreement. Such bond shall include or be endorsed to cover "third party" liability and include a third party beneficiary endorsement in favor of the County.

F. Directors and Officers Insurance. The Bureau shall maintain during the life of this Agreement Directors and Officers Insurance in amount of One Million Dollars ($1,000,000).

19. Indemnification. The Bureau shall indemnify, save and hold harmless the COUNTY, it officers, employees, servants and agents from and against any and all claims, liabilities, losses and/or causes of actions which may arise from any negligent act or omission of the Bureau, its officers, directors, employees, ~~servants~~ and agents in the performance of services under this Agreement, and regardless of whether such negligent act or omission of the Bureau was caused, occasioned or contributed to in whole or in part by any negligent act or omissions of the COUNTY or its officers, employees, ~~servants~~ or agents. The Bureau further agrees to indemnify, save, hold harmless and defend the COUNTY, its officers, employees, ~~servants~~ and agents from and against any claim, demand or cause of action of whatsoever kind or nature arising out of any conduct or misconduct of the Bureau, paragraph above and for which the COUNTY, its officers, employees, ~~servants~~ and agents are alleged to be liable.

20. Term of Agreement. Except as provided herein to the contrary, this Agreement

shall become effective on the date of this Agreement and shall expire on September 30, 2012. This Agreement may be modified only upon mutual agreement in writing.

21. Termination. The COUNTY or the Bureau may terminate this Agreement at any time without cause by giving the other ninety (90) days advance written notice of such termination and specifying the effective date thereof. If the Bureau or the COUNTY, at any time during this Agreement, or any renewal thereof, should be in default (i.e. a material breach) of any term, provision or covenant of this Agreement, and shall fail to remedy such default within thirty (30) days after written notice from the other then, if such default is not cured, the non-defaulting party may at its option terminate this Agreement by giving the other written notice of its election to terminate this Agreement at least ten (10) days prior to the date of said termination. In the event the Board of County Commissioners shall decide to terminate this Agreement without cause, the Bureau shall have an opportunity to appear before the Board of County Commissioners prior to the effective date of the termination of this Agreement.

22. Ordinance Amendment. Nothing in this Agreement shall impair or prohibit the Board of County Commissioners from amending Palm Beach County Tourist Development Ordinance No. 95-30, as amended, as the COUNTY may from time to time deem appropriate.

23. Performance and Obligation to Pay. The Bureau's performance and the COUNTY's performance and obligation to pay under this Agreement are contingent upon the allocation of Tourist Development Tax funds for the purposes and uses provided in this Agreement, the availability of the Tourist Development Tax funds designated in COUNTY's Tourist Development Plan for Category "A" uses and an annual appropriation by the COUNTY for the purposes and uses provided for in this Agreement and the attached Exhibit "A".

24. Amendment. This Agreement shall constitute the whole Agreement between the parties unless otherwise amended in writing. Any failure by COUNTY to require strict performance by the Bureau or any waiver by the COUNTY of any provision of this Agreement shall not be construed as a consent or waiver of any other breach of the same or any other provision.

25. Notices. All notices required by this Agreement shall be sent by certified mail, return receipt requested, and if sent to the COUNTY, shall be mailed to:

Robert Weisman
County Administrator
301 N. Olive Avenue
West Palm Beach, FL 33401

with a copy to:

J. Charles Lehmann
Executive Director
Tourist Development Council
1555 Palm Beach Lakes Boulevard, Suite 900
West Palm Beach, FL 33401

and if sent to the Bureau, shall be mailed to:

Secretary
Discover Palm Beach County, Inc.
1555 Palm Beach Lakes Boulevard
Suite 800
West Palm Beach, FL 33401

26. Public Entity Crimes. As provided in F.S. 287.132-133, by entering into this contract or performing any work in furtherance hereof, the Bureau certifies that it, its affiliates, suppliers, subcontractors and consultants who will perform work hereunder, have not been placed on the convicted vendor list maintained by the State of Florida Department of Management Services within the 36 months immediately preceding the date hereof. This notice is required by F.S. 287.133(3)(a).

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

R2007 1623
SEP 25 2007

ATTEST:

Sharon Bock, Clerk & Comptroller

By: _____
Deputy Clerk

(SEAL)

PALM BEACH COUNTY, FLORIDA, BY ITS BOARD OF COUNTY COMMISSIONERS

By: _____
Chair

Addie L. Greene, Chairperson

ATTEST:

By: _____
Secretary

(SEAL)

DISCOVER PALM BEACH COUNTY, INC.

By: _____
Chair

Approved as to form
and legal sufficiency:

_____
Bureau Attorney

Approved as to terms
and conditions:

_____
TDC Executive Director

Approved as to form
and legal sufficiency:

_____
County Attorney

PALM BEACH COUNTY CONVENTION & VISITORS BUREAU

FY 2008 BED-TAX FUNDED BUDGET

EXHIBIT "A"

DEPT. # DEPARTMENT	Staff	CVB Program BUDGET	Direct Pay by PB COUNTY	TOTAL BUDGET	PERCENT OF TOTAL BUDGET
500 ADMINISTRATION & EXECUTIVE	6				
PAYROLL RELATED EXPENSES		$ 596,851	$ -	$ 596,851	5.7%
COMMUNCATIONS, RENT & OTHER ADMINISTRATIVE		$ 147,325	$ 512,200	$ 659,525	6.3%
SUBTOTAL		$ 744,176	$ 512,200	$ 1,256,376	12.0%
510 FINANCE	3				
PAYROLL RELATED		$ 247,320	$ -	$ 247,320	2.4%
FINANCE EXPENSES		$ 146,245	$ -	$ 146,245	1.4%
SUBTOTAL		$ 393,565	$ -	$ 393,565	3.8%
520 TECHNOLOGY	2				
PAYROLL RELATED		$ 147,726	$ -	$ 147,726	1.4%
TECHNOLOGY EXPENSES		$ 190,017	$ -	$ 190,017	1.8%
SUBTOTAL		$ 337,743	$ -	$ 337,743	3.2%
600 PUBLIC RELATIONS	5				
PAYROLL RELATED		$ 312,032	$ -	$ 312,032	3.0%
PUBLIC RELATIONS PROGRAM EXPENSES		$ 429,192	$ -	$ 429,192	4.1%
SUBTOTAL		$ 741,224	$ -	$ 741,224	7.1%
610 TOURISM MARKETING	8				
PAYROLL RELATED EXPENSES		$ 511,797	$ -	$ 511,797	4.9%
TOURISM MARKETING PROGRAM EXPENSES		$ 1,029,615	$ -	$ 1,029,615	9.8%
SUBTOTAL		$ 1,541,412	$ -	$ 1,541,412	14.7%
620 GROUP & CONVENTION SALES	15				
PAYROLL RELATED EXPENSES		$ 1,104,266	$ -	$ 1,104,266	10.6%
CONVENTION & GROUP SALES EXPENSES		$ 579,102	$ -	$ 579,102	5.5%
SUBTOTAL		$ 1,683,368	$ -	$ 1,683,368	16.1%
630 MARKETING SERVICES & ADVERTISING	5				
PAYROLL RELATED EXPENSES		$ 361,832	$ -	$ 361,832	3.5%
ADVERTISING & DIRECT MARKETING EXPENSES		$ 3,371,218	$ 150,000	$ 3,521,218	33.6%
SUBTOTAL		$ 3,733,050	$ 150,000	$ 3,883,050	37.1%
640 AIRPORT PROMOTION & MARKETING	1				
PAYROLL RELATED EXPENSES		$ 104,074	$ -	$ 104,074	1.0%
AIRPORT MARKETING EXPENSES		$ 149,726	$ -	$ 149,726	1.4%
SUBTOTAL		$ 253,800	$ -	$ 253,800	2.4%
650 VISITOR SERVICES & FULFILLMENT	3				
PAYROLL RELATED EXPENSES		$ 160,502	$ -	$ 160,502	1.5%
VISITOR SERVICES & FULFILLMENT EXPENSES		$ 215,159	$ -	$ 215,159	2.1%
SUBTOTAL		$ 375,661	$ -	$ 375,661	3.6%
660 CONVENTION CENTER MANAGEMENT	0				
PAYROLL RELATED EXPENSES		$ -	$ -	$ -	0.0%
CONVENTION CENTER MANAGEMENT EXPENSES		$ -	$ -	$ -	0.0%
SUBTOTAL		$ -	$ -	$ -	0.0%
TOTAL PAYROLL RELATED EXPENSES		**$ 3,546,401**	**$ -**	**$ 3,546,401**	33.9%
TOTAL DEPARTMENTAL EXPENSES		**$ 6,257,600**	**$ 662,200**	**$ 6,919,800**	66.1%
GRAND TOTAL :	50	**$ 9,804,000**	**$ 662,200**	**$ 10,466,200**	100.0%

EXHIBIT "B"

MOVING EXPENSE REIMBURSEMENT POLICY

The Bureau may be reimbursed by Palm Beach County, solely from tourist tax funds, for moving expenses for employees hired for executive, administrative and professional positions.

Employees hired for positions in Pay Grade 21 or higher, may be reimbursed up to 75% of their moving expenses but not to exceed $5,000 unless provided otherwise in a written agreement. Such written agreement may provide for reimbursement of actual and reasonable moving expenses in an amount not to exceed $25,000, after obtaining written estimates as provided in this Policy and approval by the County Administrator or his/her designee.

Eligible employees shall submit three (3) written estimates and a paid invoice to the Bureau, who shall then submit the payment request to the Executive Director of the Tourist Development Council for certification of compliance with this Policy. Acceptance of less than three estimates will be permitted~~ing~~ only on a showing that three qualified vendors were not available.

Employees who have been reimbursed for moving expenses and who for any reason terminate their employment with the Bureau within one year from the date of employment, must reimburse the Bureau the full amount of the moving expenses originally paid. The Bureau will, in turn, reimburse Palm Beach County.

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EXHIBIT "C"

CONFLICTS OF INTEREST

Each Director shall be governed by the following Policy with respect to conflicts of interest. Each member of the Board of Directors has a duty to place the interest of the Corporation foremost in any dealings with or on behalf of the Organization. No Director shall use his or her position, or the knowledge gained therefrom, in such a manner that a conflict arises between the interest of the Corporation and his or her personal interests, except as may be permitted by the following Policy.

(1) Potential Conflict of Interest

(a) Any Director has a potential conflict of interest if that Director has a Financial Interest or is a party to any other circumstances substantial enough that such Financial Interest or other circumstance would, or reasonably could, affect his or her judgment as a Director. A Financial Interest exists if the Director has, directly or indirectly, through business, investment or family:

(i) An actual or potential ownership or investment interest in any entity with which the CVB has a transaction or arrangement; or

(ii) An actual or potential compensation arrangement with any entity or individual with which the CVB has or is negotiating a transaction or arrangement.

(b) Compensation includes direct or indirect remuneration, as well as gifts or favors that are substantial in nature. This does not preclude the acceptance of items of nominal or insignificant value, or entertainment of nominal or insignificant value, which are unrelated to any transaction or activity of the CVB.

(2) Procedure for Addressing the Potential Conflict of Interest

(a) Whenever a Director has knowledge of a potential conflict of interest with respect to that Director, the Director must disclose the existence of the potential conflict of interest to the Chair (or, if the Director is the Chair, to the Board). If any Director shall become aware of facts that may constitute a potential conflict of interest by another member of the Board, he or she shall bring such facts to the attention of the Chair (or, if the Director is the Chair, to the Board). Upon receipt of an assertion of a potential conflict of interest involving a Director, from another Director or any other source, the Chair shall notify the Director involved of the asserted potential conflict of interest, and shall determine whether there exists a potential conflict of interest, as defined in this Policy. (If the Director involved is the Chair, the determination shall be made by the Board.)

(b) In any case where a Director contests a determination of the Chair of the existence of a potential conflict of interest (or where the Director involved is the Chair), the Director shall be given the opportunity to disclose all material facts to the Board and to respond to their questions with respect to the matter, and the Board shall determine whether there exists a potential conflict of interest, as defined in this Policy.

(c) In any case in which --

(i) a Director has declared the existence of a potential conflict of interest;

(ii) the Chair has made an uncontested determination of the existence of a potential conflict of interest; or

(iii) the Board has made a determination of the existence of a potential conflict of interest,

then

(iv) during any Board consideration of any Board action relating to the potential conflict of interest, the Director shall declare the potential conflict of interest, shall make a full disclosure of all material facts with respect to the potential conflict of interest, shall absent himself or herself from Board consideration of the matter, and shall record a vote of abstention on any vote respecting the matter, such declaration, disclosure, absence, and abstention to be reflected in the minutes of the meeting, and

(v) the Board shall take any such other action as may be necessary or appropriate under applicable law and contractual obligations of the Corporation.

(d) As much as is possible, conflicts of interest are to be avoided, and in each case the Board shall where feasible make reasonable efforts to enter into an equally or more advantageous transaction or arrangement with a person or entity that would not give rise to a potential conflict of interest. However, the fact that a Director has a potential conflict of interest with the Corporation does not necessarily mean that a transaction or arrangement cannot occur. There may be occasions when the Board desires to engage in the transaction or arrangement, even with the potential conflict of interest. Transactions or arrangements are permissible if:

(i) Material facts are disclosed, and a majority of the disinterested Directors approves the transaction or arrangement in good faith; and

(ii) The transaction or arrangement is fair to the Corporation and in the best interests of the Corporation.

(e) The procedure to be used for determining that a particular transaction or arrangement is fair to the Corporation and in the best interests of the Corporation is a favorable vote, as provided under these Bylaws, by those Directors who are not involved in the potential conflict of interest. Nevertheless, if required in the judgment of the Board, resolution of any potential conflict of interest may necessitate –

(i) not entering into the transaction or arrangement;

(ii) the termination of a Director's relationship with a particular vendor or other entity, or

(iii) resignation by a Director as a member of the Board of Directors.

(3) Noncompliance with Policy

(a) If the Chair has reasonable cause to believe that a Director has failed to disclose a potential conflict of interest as defined in this Policy, the Chair shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.

(b) If the Chair determines that the Director has in fact failed to disclose a potential conflict of interest as defined in this Policy, the matter will be referred to the Board and the Board shall take appropriate disciplinary or corrective action.

(4) Annual Disclosure; Annual Review

(a) Each Director shall annually complete a disclosure form identifying any relationships, positions, or circumstances which he/she believes, could contribute to a potential conflict of interest as defined herein.

(b) Each new Director shall be required to review a copy of this Policy and to acknowledge in writing that he/she has done so.

(c) This Policy on Conflicts of Interest shall be reviewed annually by the Board.

# # #

BOARD OF DIRECTORS OF
DISCOVER PALM BEACH COUNTY, INC.
dba
PALM BEACH COUNTY CONVENTION & VISITORS BUREAU

CONFLICTS OF INTEREST

Disclosure Form for the Fiscal Year beginning: _____

Name: _____

Please describe any relationships, positions or circumstances in which you are involved that could contribute to a potential conflict of interest as defined in the Policy on Conflicts of Interest as adopted by the Board of Directors of the Discover Palm Beach County, Inc. dba Palm Beach County Convention & Visitors Bureau (the "CVB"). Such relationships, positions, or circumstances might include service as a director of or consultant to a nonprofit organization receiving a grant from the CVB, or ownership of a business that might provide goods or services to the CVB. All information regarding business interests shall be treated as confidential to the extent permitted by law[1] and shall be made available only to the Chair except to the extent disclosure is necessary in connection with the implementation of this Policy.

☐ I am not aware of any potential conflicts of interest.

☐ The following relationships may give rise to a potential conflict of interest:

I hereby certify that the above information is true and complete to the best of my knowledge, and agree to abide by the CVB Policy on Conflicts of Interest.

Signature: _____ Date: _____

[1] While the CVB will endeavor to keep such information confidential, documentation of such interests is, however, subject to public disclosure under the Florida Public Records Act, Florida Statutes Chapter 119.

EXHIBIT "D"

PROCUREMENT POLICY

Contracts entered into by the Bureau in accordance with paragraph 2 of this Agreement shall be subject to the following purchasing guidelines and requirements. It shall be the responsibility of Bureau Management to educate staff who make purchases as to the Bureau's obligations under this Contract. Failure to follow these guidelines may result in non-reimbursement of Bureau Expenses. Procurement shall be conducted for the following categories as described in paragraphs A through J hereof:

A. Purchases Between $1,000 and $5,000. The Bureau may purchase goods or services between $1,000 and $5,000 upon obtaining oral quotes for the goods or services. The Bureau will make every effort to obtain a minimum of three (3) oral quotes.

B. Purchases Over $5,000 and up to $10,000. The Bureau shall request written quotations for all purchases over $5,000 and up to $10,000. The Bureau shall make every effort to receive a minimum of three (3) written quotations for each item or group of items needed. Requests for quotations will be mailed to all prospective bidders, as feasible. The Bureau shall furnish the Executive Director of the TDC with the responses or quotations received prior to award. In the event the Executive Director of the TDC shall question the recommended contract, the Bureau shall establish the appropriateness of the contract

C. Purchases Over $10,000 and up to $30,000. The Bureau shall request written proposals for all purchases over $10,000 and up to $30,000. Any request for proposals for the purchase of goods or services over $10,000 shall require the prior approval of the Executive Director of the TDC. The Bureau shall make every effort to secure at least three (3) written proposals for each item or group of items needed. Advertisements for written requests for proposals will be published no less than one time in a newspaper of general daily circulation, trade publication, or other appropriate vehicle distributed in Palm Beach County or the locale where the service will be

provided, as appropriate. Requests for proposals will be mailed to all prospective bidders, as feasible.

D. Purchases Exceeding $30,000. Contracts for purchases exceeding $30,000 will be entered into according to the following procedures:

1. The Bureau is responsible for drafting the Request for Proposal ("RFP") or Invitation for Bid ("IFB") to secure needed goods or services, and shall forward the IFB/RFP to the Executive Director of the TDC, with copy to the Assistant County Attorney assigned to the TDC.

2. The Executive Director of the TDC will review and must approve the IFB/RFP to assure that the IFB/RFP meets the applicable requirements of this Agreement.

3. The Bureau is responsible for placing the advertisement and notifying prospective bidders.

4. Responses will be evaluated by a Selection Committee composed of the following six individuals:

Bureau President	Executive Director of TDC
Bureau Chair	TDC Member
Bureau Committee	County Administrator or Designee

If a member of the Committee is not available, a designee may be assigned to the Committee.

5. The recommendation of the Selection Committee will be acted on by the the Bureau's Executive Committee.

6. Upon approval by the Bureau's Executive Committee, their recommendation will be placed on the agenda for the next scheduled meeting of the TDC.

7. Upon approval by the TDC, the Executive Director of the TDC will place the item on the agenda for action by the Board of County Commissioners.

8. If the Bureau's Board or the TDC or the Board of County Commissioners does

not approve a recommended contract, then the matter will be referred back to the Selection Committee, which may select the second choice or re-advertise the RFP.

9. Upon approval of the contract by the Board of County Commissioners, the Bureau's Chair will then execute the contract.

D. Vendor List. The Bureau will maintain a "vendor list" of those providers of goods or services who desire to be placed on the list. Such list shall include small business enterprises certified by the COUNTY. The Bureau will solicit quotes or proposals from responsible prospective suppliers obtained from the Bureau's or the COUNTY's vendor list, publications, catalogues, suggestions from the TDC or its staff, previous suppliers, and the like.

E. Selection Criteria. Awards will be made to the lowest responsive, responsible bidder whose offer is determined to be the most advantageous to the Bureau in its performance of its duties in accordance with the terms of this Agreement, including this Exhibit "D" and Exhibit "E". Evaluation of offers and proposals shall be based upon the criteria established by the Bureau and any other relevant information obtained through the evaluation process. Such criteria may include but need not be limited to price. Discussions or negotiations with the most qualified vendor based upon its offer may be conducted for the purpose of obtaining a contract which is in the best interests of the Bureau in the performance of its duties, obligations and functions as provided in this Agreement.

F. Prohibition of Subdivision of Purchase. No contract or purchase shall be subdivided to avoid the purchasing guidelines and requirements provided for in this Agreement.

G. Sole Source Purchases. The Executive Director of the TDC may authorize the purchase of goods or services without requests for quotes or proposals when the Bureau has provided evidence in writing independent of the vendor that such good or service is the only item that meets the need and is available through only one source. For purchases over $10,000, the Bureau must provide proof of appropriate advertising to substantiate a sole source vendor as the only source of the goods or services.

H. Business Necessity and Emergency Purchases. The Bureau may purchase goods or services through direct negotiations with the vendor, and without obtaining multiple oral quotations, written quotations, or written bids or proposals, in cases of business necessity or emergency. For purposes of this provision:

1. "Business necessity" shall mean that (i) the goods or services are necessary to the provision of contracted services under this Agreement and (ii) sufficient time is not available between the identification of the need for the goods or services and the time for provision of the goods and services to engage in written requests for proposals or bids.

2. "Emergency" shall mean that the goods or services are necessary to the protection of life or property from imminent hazards such as storm or civil disturbance.

In all such cases, the Bureau shall make every effort to receive a minimum of three (3) written quotations, and, where that is not feasible, to obtain a minimum of three (3) oral quotes, for the goods or services to be provided. The Bureau shall document in writing to the County Administrator or his/her designee the nature and circumstances of the business necessity or emergency before the procurement is made or, if the circumstances do not permit, immediately thereafter.

I. Purchasing under Government Price Agreements. Notwithstanding any other provision of this Procurement Policy, the Bureau may procure goods and services hereunder from vendors who provide pricing that is in accord with existing price agreements with the State of Florida, Palm Beach County, or the Palm Beach County School Board.

J. Professional and Consulting Services. All contracts for professional or consulting services entered into pursuant to the provisions of this Exhibit "D" shall be evidenced by a written agreement which shall specify the services to be performed, the time period during which such services will be performed, the form or method of compensation (e.g., retainer, expense reimbursement, direct cost, hourly or fixed fee, etc.), the method of cancellation or termination, remedies for non-performance, identify ownership of the product, and contain other standard

contract language. The Executive Director of the TDC must approve the form and content of the agreement prior to its execution by the vendor and the Bureau.

* * *

EXHIBIT "E"

SBE POLICY

Pursuant to Palm Beach County Ordinance No. 2002-064, the Bureau agrees to carry out its duties under this Agreement in accordance with the following program to encourage the participation of small business enterprises ("SBEs") in the Bureau's procurement process.

The Bureau will make good faith efforts in providing equal opportunity whereby all Palm Beach County businesses may fully participate in the Bureau's procurement process. The Bureau agrees to take the following steps to insure that Palm Beach County-certified small business enterprises are afforded the opportunity to participate in the Bureau's procurement process:

A. Analysis of SBE availability to provide the products or services identified for contracting at either the prime or subcontract levels.

B. Inclusion of SBEs on contract solicitation lists or vendor lists.

C. Establishment and implementation of goals for SBE participation, and tracking of M/WBE participation, consistent with Ordinance No. 2002-064 and Policies and Procedures adopted by the COUNTY pursuant thereto.

D. Monitoring and maintenance of records sufficient for verification of steps taken and results achieved to maximize participation.

E. Dividing purchases and contracts into smaller units, areas, or quantities where feasible and likely to increase participation without substantial adverse fiscal impact.

F. Setting delivery schedules that do not discourage SBE participation.

G. Use of services and assistance provided by the COUNTY's Office of Small Business Assistance and other agencies in locating available SBEs.

H. Utilization of the COUNTY's computerized listing of certified SBEs.

I. Submission of annual reports to the TDC, and if requested, to the Board of County Commissioners, detailing the results of efforts to obtain SBE participation. This report shall include as a minimum the percentage of SBE participation during the contract term, total

expenditures, and dollar amount of contracts awarded to SBEs. If the report indicates that the Bureau is behind in reaching the annual goals, the report shall also discuss the known or possible reasons for the failure to meet the goals.

J. Providing SBEs with adequate information about plans, specifications, and requirements of Bureau contracts, and following up initial solicitations of interest by SBEs.

K. Where applicable, negotiating with SBEs in good faith and demonstrating that SBEs were not rejected as unqualified without sound reasons based on thorough investigation of their capabilities.

L. Using the services of available community and contractors' groups, and local, state, or federal minority and/or woman business assistance offices that provide assistance in the recruitment of SBEs for public sector contracts.

M. Where applicable, providing assistance to obtain bonding, lines of credit, and insurance.

N. Where appropriate, scheduling pre-bid or pre-proposal meetings to inform potential subcontractors of SBE requirements and other bid/proposal requirements, and encouraging SBEs to attend the pre-bid or pre-proposal meetings.

O. Offering instructions and clarification on bid/proposal specifications, procurement policy and procedures, and general bidding requirements.

P. Maintaining a file of successful bid/proposal documents from past procurement and permitting SBEs to review and evaluate such documents.

Q. When requested, meeting with unsuccessful bidders/proposers to explain why bids may have been unsuccessful.

R. Ensuring that bid/proposals specifications and plans are written or drawn so as not to prejudice or unreasonably limit SBE participation. The inclusion of proprietary specifications should be avoided without the establishment of a particular need.

S. Limiting the use of renewal provisions in subcontracts so as not to inhibit SBE participation.

T. Placement of bid notices, and where appropriate, in minority, women, and small business-focused media.

U. Providing adequate time for the submission of bids/proposals so as to facilitate the participation of M/W/SBEs.

For the purposes of this Exhibit, all terms shall have their ordinary meaning, except that any terms defined in Palm Beach County Ordinance No. 2002-064 or any successor ordinance, shall have the meaning provided therein.

* * *

PALM BEACH COUNTY CONVENTION & VISITORS BUREAU

FY 2008 GOALS AND OBJECTIVES

Exhibit "F"

Program Objectives for FY 2008

1.) Maintain Occupany Rate at 72% or greater.
2.) Maintain the number of wholesalers who feature Palm Beach County at 333.
3.) Maximize Advertising Placement and Frequency to generate 339,730 inquiries.
4.) Generate 509,760 unique visitors to the Bureau's web site.
5.) Book 65,000 room nights not related to Convention Center
6.) Book 6,500 room nights related to Convention Center
7.) Issue 50 high-value press releases related to the destination.
8.) Achieve a free press viewership of 2 billion impressions, including Internet page views.
9.) Achieve free press coverage with an advertising equivalent dollar value of $7 million.

Performance Measures	FY 2006 Actual	FY 2007 Budget	FY 2008 Target	
Average Room Occupancy	76.7%	72.0%	72.0%	
Wholesalers	333	333	333	Note 1
Advertising Inquiries	72,692	317,027	339,730	Note 2
Unique Visitors to Web Site	439,639	472,000	509,760	Note 3
Booked Room Nights Contracted (Hotel lead program)	83,302	65,000	65,000	Note 4
Convention Center Room Nights Contracted	9,350	6,500	6,500	Note 4
Press Releases	45	43	50	
Ciculation/Viewership (millions)	1,000	750	2,000	Note 5
Advertising Equivalent Value of Press Coverage	n/a	n/a	$ 6,500,000	Note 6

Note 1: This goal reflects the shrinking number of wholesalers in the market due to mergers and consolidations.

Note 2: Mail and phone inquiries have been declining because of transfer to web. For FY 2007, a new baseline was established that utilizes the traditional phone/mail inquires, along with a consistent method of tracking web inquires.

Note 3: This goal is added in FY 2008 to account for increased importance of the web site to the Bureau's marketing efforts.

Note 4: Room night goals based upon current assumptions. Goals may be moved up or down during the fiscal year in order to maintain the "stretch but achievable" incentive program.

Note 5: This goal is increased in FY 2008 to reflect expanded page views occuring on the Internet.

Note 6: This goal is added in FY 2008 to account for the dollar value of the advertising equivalent of free press generated.

EXHIBIT "G"

TRAVEL & ENTERTAINMENT POLICY

EXHIBIT "G"

TRAVEL & ENTERTAINMENT POLICY

Florida Statute 125.0104 governs the reimbursement of travel expenses incurred in the course of tourism promotion for Palm Beach County. The statute authorizes reimbursement for "actual and reasonable" expenses. All expenses/purchases must have receipts, with the exception tips to bellman/valets that are less than $10. (See section on Receipts)

Staff of the Bureau is authorized to provide, arrange and make expenditures for transportation, lodging, meals, and other reasonable and necessary items and services for such persons, as determined by the President/CEO, in connection with the performance of promotional and other duties of the Bureau. However, entertainment expenses shall be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry. All travel and entertainment-related expenditures in excess of $10 shall be substantiated by paid (invoices). Palm Beach County PPM CW-F-009 Travel Policy is utilized when Florida Statute Section 125.0104 does not govern this policy.

Tourism Promotion and Convention Sales activities shall include consumer and trade shows, familiarization tours, sales missions, and other travel related and entertainment expenses that are incurred by officers and employees of the Bureau, other authorized persons, travel writers, tour brokers, or other persons connected with the tourist industry, including the convention meeting industry, in the course of promoting Palm Beach County and the Palm Beach County Convention Center.

Travel for staff will be pre-approved by the President/CEO and the President/CEO's travel will be approved by the Bureau's Executive Committee.

DOMESTIC TRAVEL (Including Florida)

Meal expenses will be deemed to be reasonable if they comply with the per diem limit by city as shown in the Business Travel Network Per Diem schedule distributed at the beginning of each fiscal year. If a particular city is not listed in the Per Diem schedule, it may be appropriate to use the next closest city as the guide. However, some resorts are adjacent to a city with a per diem meal schedule that may not be on par with the resort. In that case, "actual and reasonable" meal expenses will be accepted. Any departure from the published rates will be deemed to be excessive unless the reasonableness and necessity of the expenditure is satisfactorily proven by the traveler in a written explanation on the expense reimbursement form. Meal expenditures may be combined such that the daily total does not exceed the per diem limit, provided, however, that one does not incur entertainment expenses which include a meal during the same day, or during a day when the traveler arrives or departs from a city. The maximum gratuity on any meal is 15%; provided, however, that in any case where the gratuity is included in the bill presented for the meal, then the gratuity will be paid in the full amount assessed by the serving establishment. Miscellaneous incidental expenses will be reimbursed upon review and justification. Employees may make one

(1) personal call home per day, excepting unusual circumstances which must be explained and will be subject to review.

FOREIGN TRAVEL

Foreign Travel will be reimbursed at the per diem rates as listed in the "Standardized Regulations (Government Civilians Foreign Areas)" publication. This publication breaks down per diem into meals & incidentals (MIE), and lodging. The MIE rate is inclusive of tips for meals and other related expenses.

Lodging may exceed the per diem listed provided there is a valid reason as to why the accommodations exceeded the per diem limits. For example, when staff of the Bureau attends the ITB trade show in Berlin all hotels increase their rates significantly for this event. Since they have little choice but to pay a rate that is well above the rates published in the guide, it will be reimbursed because it is actual and reasonable under the circumstances.

Foreign Exchange Rate: Expense reports containing a mix of cash and credit card expenses will be reimbursed using (a) the actual rate of exchange shown on the credit card statement for each charge and (b) the average of the Interbank Rate for eligible cash expenditures incurred during the time the traveler was in the country, as published by OANDA.com. The average rate as published by OANDA.com shall be attached to each expense report. Expense reports that have only credit card charges shall be reimbursed at the same rate as shown on the credit card statement of the traveler, which shall be attached to the expense report.

When traveling in several countries on the same trip, please submit an expense report for each country along with the exchange rate in effect at the time of travel.

AIR TRAVEL

For international flights outside of North America, full fare coach tickets may be purchased for upgrade to business class/first class, if available through airline programs. For all other air travel, the traveler shall attempt to obtain the most economical means of travel that is reasonable under the circumstances.

RECEIPTS ARE REQUIRED FOR ALL EXPENDITURES

TIPS: All tips for porterage, taxi cabs etc., must be detailed on the back page of the travel reimbursement form. Tips over $10.00 given for porterage of large and/or numerous boxes of material or displays, require explanations and receipts. Tips for meals are to be included in the meals column, NOT the tips column of the expense report. The per diem schedule for meals is inclusive of tips.

ENTERTAINMENT

Entertainment expenses are those incurred while meeting with travel writers, tour brokers and other persons connected with the tourist industry. Such expenses shall be limited to the following amounts per person per day:

Breakfast:	$ 30.00	A maximum 20% gratuity
Lunch :	$ 70.00	may be added to these rates
Dinner :	$100.00	

The above limits do not include taxes and other expenses associated with the event during which the meal is served. Items such as invitations, entertainment, room rental, beverages served at a reception, photography and special decorations are not included.

In cases where a facility has required payment for a guaranteed minimum number of attendees, such limits shall be calculated based on the guaranteed minimum number. Each reimbursement shall include names and affiliations of those entertained, and the staff in attendance

EXPENSE REPORTS

Requests for reimbursement for travel and entertainment expenses are to be made utilizing the standard Bureau expense report form, as updated from time to time. Requests for reimbursement for mileage shall be done using a mileage expense report form as a backup to the standard expense report. Each expense report must be approved by the President/CEO or his/her designee. The appropriate account code should be shown on the expense report.

* * *

EXHIBIT "H"

SALARY POLICY

The salaries provided by the Bureau to its employees shall be in conformity with the specific salary ranges set forth in its guidelines, policies, and procedures. Any increase in annual salary of an employee of the Bureau, other than the President, which is funded from revenues derived from the Tourist Development Tax shall not exceed the amount established for such fiscal year pursuant to the following "pool of funds":

1. For each individual employee paid for by TDC funds, show the name, starting date, position, and salary range for the position, and their gross salary as of September 30th immediately preceding the fiscal year and the anticipated date of any merit increase during the fiscal year.

2. Compute 5% of each individual's salary as of said Sept. 30th.

3. Compute the number of days from the anticipated date of merit increase until the end of the fiscal year, and divide the number of days into 365.

4. Multiply the answer in "c" by the amount in "b".

5. The sum of the amount computed in "d" for each employee shall be the maximum amount that can be used for merit increases during the fiscal year.

Each time an employee is given a merit increase, the Bureau shall submit a report to the TDC Executive Director stating the amount of the increase, along with a running total of any and all previous increases, and the net amount available as of the date of the report.

Increases will be based on merit performance only and not cost of living increases. The limitation on merit increases established by this Salary Policy shall not apply to the promotion of an employee to the minimum salary level of a new job category.

The President of the Bureau shall be eligible for a merit-based increase of up to 5% from revenues derived from the Tourist Development Tax.

Any additional compensation provided the President shall be paid only from private funds and shall not increase the base salary paid from tourist tax revenues. In the event such compensation in paid, the Bureau shall immediately notify the TDC and the County of such payment.

Any salary adjustment for the President shall be effective October 1st of each year. The County Administrator and the TDC Executive Director shall be given an update of all tourist tax funded staff positions along with full disclosure and backup at the end of each fiscal year.

In addition to salaries paid in accordance with this Salary Policy, the Bureau may pay additional compensation to certain management and sales personnel pursuant to a Sales Incentive Program in such form as may be adopted from time to time with notice to the TDC Director and within such dollar amounts as may be provided for such program in the Annual Budget attached hereto as Exhibit "A".

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

Discover Palm Beach County, Inc.

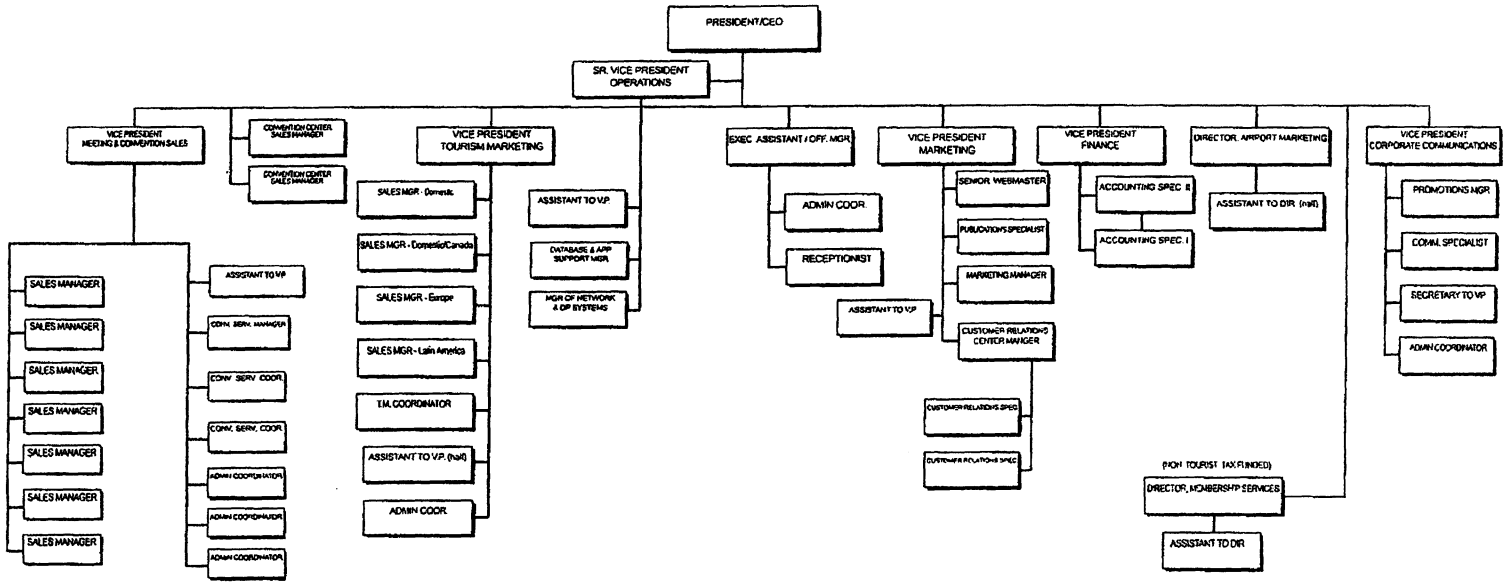
FY 2008 Salary Structure

Exhibit "I"

Grade	Mimimum	Midpoint	Maximum	Positions
26	$ 128,625	$ 160,781	$ 192,937	President/CEO fn1/
25	$ 101,758	$ 127,198	$ 152,638	Sr. VP - Operations
24	$ 88,486	$ 110,607	$ 132,728	VP - Group & Convention Sales
23	$ 76,944	$ 96,180	$ 115,416	VP - Marketing; VP - Finance
22	$ 66,908	$ 83,635	$ 100,362	VP - Corporate Communications; VP - Tourism Marketing
21	$ 58,181	$ 72,726	$ 87,271	Director - Airport Marketing; Director - Group Sales; Sales Manager II - Convention Center Sales
20	$ 50,592	$ 63,240	$ 75,888	Sales Manager II - Hotel Program; Sales Manager I - Convention Center Sales; Manager of Network & DP Systems
19	$ 43,993	$ 54,991	$ 65,989	Director - Membership; Office Manager/Assistant to President; Sales Mgr. II - Tourism Marketing; Sales Mgr. I - Hotel Program; Sr. Webmaster; Customer Relations Center Manager
18	$ 38,254	$ 47,818	$ 57,382	Sales Mgr. I - Tourism Mktg.; Accounting Specialist II
17	$ 33,265	$ 41,581	$ 49,897	Database & Appl Sprt Mgr.; Communications Specialist; Publications Specialist; Convention Services Manager; Promotions Manager; Accounting Specialist I
16	$ 28,926	$ 36,157	$ 43,388	Marketing Services Asst.; TM Coordinator; Group Services Support Coordinator; Assistant to VP; Convention Sales Coordinator
15	$ 25,153	$ 31,441	$ 37,729	Information Coordinator; Administrative Coordinator; Assistant to Director
14	$ 21,872	$ 27,340	$ 32,808	Receptionist; Secretary; Customer Relations Specialist
13	$ 19,019	$ 23,774	$ 28,529	Information Specialists

fn1/ $175,000 in FY 2008 plus 5% increases in FY 2009 and 2010 per agreement approved by BCC 07/24/07

EXHIBIT "J"
PALM BEACH COUNTY CONVENTION AND VISITORS BUREAU
ORGANIZATIONAL CHART - FY 2008



8/16/2007

CERTIFICATE OF INSURANCE

ACORD. CERTIFICATE OF LIABILITY INSURANCE

OP ID KF
DISCO-1

DATE (MM/DD/YYYY) 01/03/07

PRODUCER

Celedinas Insurance Group -PBG
4283 Northlake Blvd.
Palm Beach Gardens FL 33410
Phone: 561-622-2550 Fax: 561-721-0540

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED

Discover Palm Beach County Inc
dba Palm Beach Convention &
Visitors Bureau
1555 Palm Bch Lakes Blvd #800
West Palm Beach FL 33401

INSURERS AFFORDING COVERAGE		NAIC #
INSURER A:	Nationwide Mutual Fire Ins Co	23779
INSURER B:	Nationwide Mutual Ins Co	23787
INSURER C:	Twin City Fire Insurance Co	29459
INSURER D:		
INSURER E:		

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT LOC	77PR4816373002	10/01/06	10/01/07	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 100,000 $ 5,000 $ 1,000,000 $ 2,000,000 $
A		AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS	77BA4816373001	10/01/06	10/01/07	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 1,000,000 $ $ $
		GARAGE LIABILITY ANY AUTO				AUTO ONLY - EA ACCIDENT OTHER THAN AUTO ONLY: EA ACC AGG	$ $ $
B		EXCESS/UMBRELLA LIABILITY X OCCUR CLAIMS MADE DEDUCTIBLE RETENTION $	77CU4816373003	10/01/06	10/01/07	EACH OCCURRENCE AGGREGATE	$ 5,000,000 $ 5,000,000 $ $ $
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				WC STATUTORY LIMITS OTHER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ $ $
C		OTHER Directors & Officers	NOA1304744	10/01/06	10/01/07	Limit Ded	$3,000,000 $10,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

CERTIFICATE HOLDER

Discover Palm Beach County Inc
1555 PB Lakes Blvd, #800
West Palm Beach FL 33401

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL XX DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

© ACORD CORPORATION 1988

APPENDIX C:

Employment Agreement (between CVB and CEO)
dated August 1, 2007

Denise M. Nieman
County Attorney

P.O. Box 1989
West Palm Beach, FL 33402-1989
(561) 355-2225
Suncom: (561) 273-2225
FAX: (561) 355-4398
www.pbcgov.com

Palm Beach County Board of County Commissioners

Addie L. Greene, Chairperson
Jeff Koons, Vice Chair
Karen T. Marcus
Robert J. Kanjian
Mary McCarty
Burt Aaronson
Jess R. Santamaria

County Administrator

Robert Weisman

"An Equal Opportunity Affirmative Action Employer"

printed on recycled paper

MEMORANDUM

DATE: October 9, 2007

TO: Minutes Department

FROM: Maureen Cullen
Chief Assistant County Attorney

RE: Discover Palm Beach County Contract Agreement
September 25, 2007 Agenda

At the September 25, 2007, meeting of the Board of County Commissioners, the Board approved the County's agreement with Discover Palm Beach County conditioned upon changes to certain provisions of the Agreement. Specifically, the term of Discover Palm Beach County's auditing and legal services contracts were required to be rebid every five, instead of seven, years. This change will necessitate substituting two new pages (pages 14 and 15) which are attached for the originals in the original agreement.

Discover Palm Beach County has agreed to these changes.

Once the new pages have been inserted, the contract will be ready for execution by the County.

Please call me at 355-3630 if you have any questions.

MC/jmr
cc: Verdenia Baker, Deputy County Administrator
Charles Lehmann, Executive Director, Tourist Development Council
James Stuber, Discover Palm Beach County

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EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into as of the 1st day of August, 2007, by and between:

Discover Palm Beach County, Inc., a Florida not-for-profit corporation doing business as Palm Beach County Convention & Visitors Bureau, hereinafter referred to as "Employer" and,

Jorge Pesquera, a destination marketing and association executive hereinafter referred to as the "Employee".

WHEREAS, Employer has previously entered into a contract with Palm Beach County, Florida ("the County") (said contract hereinafter referred to as the "County/DPBC Contract") for the provision by Employer of certain services to promote and advertise Palm Beach County tourism in the state of Florida and nationally and internationally, under the overall direction and guidance of the Palm Beach County Tourist Development Council ("TDC") through its Executive Director; and

WHEREAS, the County/DPBC Contract provides that Employer shall employ a president who shall have day-to-day responsibility for the performance and obligations of Employer under such contract; and

WHEREAS, Employer desires to secure the services of Employee and Employee desires to accept such employment;

NOW THEREFORE, in consideration of the material advantages accruing to the two parties and the mutual covenant contained herein, and intending to be legally and ethically bound hereby, Employer and Employee agree with each other as follows:

A) EMPLOYMENT/NATURE OF WORK

1- Employer hereby employs Employee and Employee hereby accepts employment with Employer during the term of this Agreement and upon the terms and conditions hereinafter set forth. Employee will be employed by Employer as President and Chief Executive Officer. Any reference to CEO in the remainder of this agreement shall be deemed to include the entire official position title of President and CEO. Employee shall be the Chief Executive Officer of Employer and shall work closely with the Chairman, the Executive Committee and the Board of Directors of Employer to carry out the policies, procedures and programs established by the Board of Directors. In accordance with policies established by the Board of Directors, the Employee shall have full authority in the overall administration and management of the affairs of Employer and complete supervision of the work at Employer's headquarters. This shall include full authority for the hiring, discharging and fixing the compensation and fees of all other employees of Employer, consistent with Board policies. In addition to the foregoing, Employee's duties shall include such duties and responsibilities as may be customarily incident to such position, and as may be reasonably assigned to Employee from time to time by the Board of Directors, to whom Employee will report.

2 - Employee will render full-time professional services to Employer in the capacity of President and Chief Executive Officer of Employer. He will at all times, faithfully, industriously and to the best of his ability, perform all duties that may be required of him by virtue of his position as President and CEO and as otherwise provided herein. Notwithstanding the foregoing, Employee may serve as a member of the Board of Directors (or similar positions) of other organizations such as tourism industry trade associations upon the prior written consent of the Board, such consent not to be unreasonable withheld or delayed. Employee accepts his employment on the conditions as stated in this Agreement and commits himself to perform these functions to the "best of his ability" and to place all his diligence and zeal at the service of Employer and consequently to refrain from everything that might be unfavorable to the reputation of Employer.

3 – Employee will perform his duties and conduct himself in the course of his Employment in accordance with the standards established in Employer's employment policies as in effect during the term of this Agreement and as provided under applicable law; provided, however, that any probation period provided for therein with respect to Employee is expressly waived by the parties.

B) PROFESSIONAL ASSOCIATIONS AND DEVELOPMENT

1- It is expected that Employee will engage in professional, educational and training activities consistent with the CEO position and responsibilities. This includes attendance at conferences for the purpose of his professional development. Employer will bear the reasonable and necessary costs associated with such professional development, subject to the approval of the Chairman. At a minimum, Employer agrees to support Employee's achievement and maintenance of professional certification in the field of Destination Marketing (CDME) and/or Association Management (CAE). Time devoted to certification programs shall be in addition to all other paid leave to which Employee is entitled.

C) TERM OF EMPLOYMENT

1-The term of this Agreement shall commence on December 1, 2007 and shall end at the end of the initial contract period on November 30, 2012. This Agreement shall automatically be renewed on December 1, 2011 and on the same date each succeeding year thereafter on the same terms and conditions as contained in this Agreement or as amended thereafter in accordance with other provisions in this Agreement, unless either party notifies the other by February 28th of the applicable year prior to contract renewal, of his or its intent not to renew this Agreement at the expiration of its current term.

2-It is expressly agreed by the parties that Employer is not under any obligation to extend this Agreement beyond the initial contracted period.

D) COMPENSATION

1-In consideration for these services as President and CEO, Employer, agrees to pay Employee a base salary of $185,000.00 before taxes per annum from the commencement of employment through September 30, 2008. Such base salary shall increase to $194,750.00 during the fiscal year of Employer beginning on October 1, 2008, and to $205,038.00 during the fiscal year of

Employer beginning on October 1, 2009. Thereafter, the base salary shall be an amount not less than the base salary during the preceding fiscal year plus such increase as may be awarded at an annual review of Employee's compensation and performance by a special compensation committee of the Board appointed by the Chairman. This annual review shall occur prior to the end of each fiscal year of Employer. The annual base compensation shall be payable in equal bi-weekly installments.

2 – In addition to the base salary payable hereunder, Employee shall be eligible for incentive pay in the form of an annual performance-based bonus, referred to hereinafter as the "Annual Bonus". Performance will be evaluated in accordance with the performance measures established by the Board of Directors pursuant to Employer's Compensation Plan. These performance measures will be adjusted annually and at such other times as may be necessary to reflect trends in the marketplace and provide appropriate recognition when external extraordinary circumstances may affect overall Bureau performance. (The current performance evaluation worksheet and current contracted performance measures of the CVB are attached as Exhibits F and G. They are attached for reference only, and are subject to change by the Board of Directors and by agreement with the Board of Counthy Commissioners from time to time during the term of this Agreement..) Achievement will be measured on a scale of 100% to 110% where 100% represents "at plan", 105% represents "well above plan", and 110% represents "exceeds expectations". No incentive pay will be paid for a cumulative score of less than 100% ("at plan"); provided, however, that for the year ending September 30, 2008, Employee shall be guaranteed an Annual Bonus of the minimum amount of $5,000.00. At the end of Employer's fiscal year ending on September 30, 2008, Employee will be eligible for an Annual Bonus in an amount of $5,000.00 for a performance rating of 100% and an amount of $10,000 for a performance rating of 110%, and in a prorated amount for any performance rating between 100% and 110%. At the end of Employer's fiscal year ending on September 30, 2009, Employee will be eligible for an Annual Bonus in an amount of $19,475 (10% of base salary) for a performance rating of 100% and an amount of $38,950 (20% of base salary) for a performance rating of 110%, and in a prorated amount for any performance rating between 100% and 110%. At the end of Employer's fiscal year ending on September 30, 2009, Employee will be eligible for an Annual Bonus in an amount of $25,360.00 (12.5% of base salary) for a performance rating of 100% and an amount of $51,259 (25% of base salary) for a performance rating of 110%, and in a prorated amount for any performance rating between 100% and 110%.

At the end of Employer's fiscal year ending on September 30, 2010 and each fiscal year thereafter during the term of this Agreement, Employee will be eligible for an Annual Bonus in an amount equal to 12.5% of base salary for a performance rating of 100% and an amount equal to 25% of base salary for a performance rating of 110%, and in a prorated amount for any performance rating between 100% and 110%.

3 - In addition to the base salary and incentive pay payable under this Agreement, Employee shall be eligible for commissions payable annually (referred to hereinafter as the "Annual Commission"). The Annual Commission will be paid to Employee at the end of each fiscal year of Employer during the term of this Agreement in an amount equal to five percent (5%) of the amount by which revenues received by Employer from sources other than the tourist tax exceed such revenues received by Employer during the previous fiscal year. In determining the amount of such revenues, Employer shall deduct any revenues required by County to be paid into County's tourist tax fund.

E) VACATION

Employee shall be entitled to twenty (20) days of compensated vacation time during each calendar year (or prorated portion thereof) during the term of this Agreement, to be taken at times mutually agreed upon between Employee and the Chairman of the Board.

F) SICK LEAVE, DISABILITY AND OTHER LEAVES

1 – Employee shall be eligible for paid sick leave and unpaid family medical leave as provided for in Employer's employment policies during the term of this Agreement.

G) PROFESSIONAL AFFILIATIONS

Employer agrees to pay dues to professional associations and societies and to such service organizations and clubs of which Employee, by nature of his mandate as a key representative of the Palm Beach County hospitality community is or should be a member, provided these are approved by the Chairman as being in the best interests of Employer. Memberships at DMAI, MPI, PCMA, and ASAE, and others as mutually agreed upon, are approved entities for membership by Employee. Leadership positions in regional or international trade and professional organizations in which collaborative alliances and partnerships may be established will not be construed as contrary to the non-competition provisions of this Agreement. Employee will be permitted to be absent from Employer's premises during working days to attend professional meetings and to attend to such outside professional duties in the destination marketing and association management fields as are customarily required and as delineated in the annual business plan or as mutually agreed upon between him and the Chairman. Attendance at such approved meetings and accomplishment of approved professional duties shall be fully compensated service time and shall not be considered vacation time. Employer shall reimburse Employee for all expenses incurred by him incident to attendance at approved professional meetings.

H) FRINGE BENEFITS/INSURANCE

During the term of this Agreement, Employee shall be entitled to the following fringe benefits:

1- Employer will pay the premiums for participation by Employee and Employee's immediate family in Employer's health, dental, and vision insurance plan as in effect during the term of this Agreement. Employer will pay any out-of-pocket cost of Employee for an annual physical examination of Employee. Employer shall not otherwise supplement or reimburse any medical expenses that are not paid by the plan. Summaries of the health and dental plans in effect at the time of initial execution of this Agreement are attached for the parties' reference at Attachments A and B.

2 – Employer will pay the premiums for participation by Employee in Employer's long-term disability plan as in effect during the term of this Agreement.* A summary of the long-term disability plan in effect at the time of initial execution of this Agreement are attached for the parties' reference at Attachment C. * Provided that the monthly benefit payment shall be in an amount not less than 60% of Employee's base salary.

3 – Employer will pay the premiums on a policy of term life insurance on Employee's life in a face amount equal to two times the base salary of employee. A summary of the voluntary life insurance plan in effect at the time of initial execution of this Agreement are attached for the

parties' reference at Attachment D. Employer will augment such insurance as necessary to achieve the coverage amount provided herein.

4 – Employer will maintain in force and effect travel accident insurance and travel health insurance during any period of travel by Employee in the course of Employee's duties, including training and professional conferences.

5 – Employer will maintain in force and effect a directors and officers liability insurance policy including coverage of Employer's employees as well as insurance policies for general liability, owned and non-owned automobile liability, employee dishonesty and workers compensation, in a scope and amount adequate to cover the risks of Employer's operations.

6 - Employee shall be entitled to participate in Employer's pension plan in accordance with the terms thereof as in effect during the term of this Agreement. The current plan is a defined contribution plan under section 401(k) of the Employee Retirement Insurance Security Act ("ERISA") providing for an annual contribution by employer in an amount equal to ten percent (10%) of the employee's base salary, vesting at twenty percent (20% per year, with a right of additional annual contribution by employee of up to an additional thirteen percent (13%) of the employee's base salary. A summary of the voluntary life insurance plan in effect at the time of initial execution of this Agreement are attached for the parties' reference at Attachment E

7 - Employer shall provide Employee with an automobile allowance in the amount of five hundred dollars ($500) per month. Notwithstanding such compensation, Employer will be eligible for reimbursement for miles driven in the course of his duties as provided in the policies of Employer as in effect during the term of this Agreement.

8 – Employee shall receive such other benefits, not inconsistent with the terms of this Agreement, as may be provided in Employer's employment policies during the term of this Agreement.

I) RELOCATION ALLOWANCE

1 - Employer shall provide actual and reasonable relocation costs in an amount not to exceed Twenty-Five Thousand Dollars ($25,000.00). Payment of the lowest of three written bids will be deemed to be a reasonable cost, subject to such maximum.

2 – Employer shall provide Employee with adequate temporary housing for a period of up to forty-five days following the commencement of the term of this Agreement, and will pay the actual and reasonable costs of Employee's travel for one roundtrip to and from Aruba for the purpose of moving his family to Palm Beach County. SEPARATE

J) EXPENSE REIMBURSEMENT

Employer shall reimburse Employee for all reasonable and necessary expenses paid or incurred by Employee in the performance of his duties and in the course of his employment provided these expenses are within budgetary parameters established by Employer's Board of Directors, Employee submits original written documentation of all such expenses, and such expenses are otherwise in compliance with all applicable policies of Employer and terms of the CVB/County Contract.

K) TERMINATION

1 - Termination by Employer for Cause. Employer may terminate this Agreement immediately for cause. "Cause" shall mean any of the following acts or omissions of Employee:

a) Employee's unwillingness or inability to adequately perform Employee's duties under this Agreement, after the application of normally progressive discipline by the Board of Directors; provided, that failure to meet performance standards or objectives, by itself, does not constitute "Cause ";

b) Gross negligence in the performance of Employee's duties under this Agreement;

c) Employee's substantial failure to perform Employee's duties for such a period or with such a frequency as to materially interfere in Employer's operations (other than as a result of incapacity);

d) Incapacity of Employee; provided, however, that in the event of Employee's incapacity, Employer may terminate this Agreement only after the expiration of a period the length of which shall be determined by Employer's Board of Directors pursuant to Employer's then-applicable sick leave policy, but in any event not less than six months; provided, however, that this provision shall not affect, alter, or diminish in any way any benefits Employee is entitled to receive through long-term-disability insurance coverage obtained under the auspices of Employer.

e) Employee's repeated failure to follow the written directives of the Board of Directors or any written company policy expressly approved by the Board; provided, that (i) if Employee initially refuses to obey the written directives of the Board, Employee is provided with a written statement by the Board that the Board believes in good faith that the acts or omissions in respect of which the Board is giving Employee direction are in the best interests of Employer, and (ii) Employee is provided the opportunity to discuss with the Board Employee's reasons for not complying with the Board's directives, and provided further that Employee's refusal to follow any written directive of the Board that would cause Employee to commit any illegal or unethical act or to engage in any illegal or unethical course of conduct shall not be grounds for termination for Cause;

f) Willful and material breach of any of Employer's policies, for example, a policy against sexual harassment;

g) Commission of acts which constitute willful fraud by Employee in connection with his employment, including misappropriation or embezzlement of assets of Employer;

h) Willful conduct by Employee that is demonstrably and materially injurious to Employer, monetarily or otherwise;

i) Commission of a crime resulting in pecuniary loss to Employer, including, without limitation, theft, embezzlement, or fraud;

j) Commission of any felony that brings Employer into public disrepute or entering into a conspiracy to commit any such crime; or

k) Willful and material breach of this Agreement by Employee.

For purposes of this paragraph, an act, or a failure to act, shall not be deemed willful or intentional, as those terms are defined herein, unless it is done, or omitted to be done, by Employee in bad faith or without a reasonable belief by Employee that his action or omission was in the best interest of Employer. "Cause" also includes any of the above grounds for dismissal.

2 – Termination by Employer Other than for Cause. If Employer terminates its obligations under this Agreement at any time for any other reason, which need not be disclosed, Employer shall pay Employee as severance an amount equal to twelve months of base salary at the then-effective rate of compensation, and maintain Employee's full insurance, fringe, and other benefits during the severance period, including but not limited to life insurance, short and long term disability insurance, medical insurance for the Employee and his/her immediate family and pension contributions. This severance period shall begin on the date of the first pay period after notice is given and end 365 days thereafter. During the severance period, the Employee shall work at his/her position only to the extent that he is requested to do so by the Board of Directors.

3 – Procedures for Termination by Employer. Employer may terminate this Agreement pursuant to the provisions of this paragraph by a majority vote of the Board of Directors, taken at a duly called meeting. Employee shall be invited by written notice to attend this meeting and be given the opportunity to address the Board. If Employee's employment under this Agreement is terminated for Cause, Employer will provide Employee with a letter briefly stating the reason or reasons for such termination. In the event of termination for Cause, Employee shall receive no further compensation beyond the termination date other than benefits accrued or required by law.

4 – Termination by Employee. If at any time Employee wishes to terminate his/her obligations under this Agreement, he shall give Employer at least 120 days notice. During the notice period, the Employee shall continue to receive his/her salary and benefits but shall work at his/her position only to the extent he/she is requested to do so by the (Organization) Board of Directors.

L) NON COMPETITION

During the term of this Agreement, Employee will not engage in any activity which is or may be contrary to the welfare, interests, or benefits of Employer, and not engage in any activity which is or may be competitive with the activities of Employer

M) CONFIDENTIALITY

Employee agrees that he will not at any time, whether during the term of this Agreement or thereafter, divulge to anyone (other than Employer or any person designated by Employer) any information of any type whatsoever of a confidential nature relating to Employer. Employee will not disclose, publish or make use of any such information of a confidential nature without the prior written consent of Employer.

N) MISCELLANEOUS

1- Employer will provide Employee with all the necessary and customary "tools of the trade" typical of executives in similar positions. These include, but are not limited to: laptop computer, cellular phone, calling card, corporate credit card, ISP service when traveling, and the like.

2- All travel by Employee in the course of his duties hereunder will be conducted consistent with the travel policies of Employer as established in Employer's policies, the CVB/County Contract, and applicable law.

3- All benefits and compensation provided for in this Agreement will be pro-rated to the actual employment period.

4- This Agreement constitutes the entire agreement between the parties and contains all the agreements between them with respect to the subject matter hereof.

5- This Agreement may be amended only by a writing duly executed by the parties hereto.

6- The invalidity or unenforceability of any particular provision of this Agreement shall not affect its other provisions and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

7- This Agreement shall be binding upon Employer and its successors and assigns including, without limitation, any legal entity into which Employer may be merged or by which it may be acquired, and shall inure to the benefit of Employee, his administrators, executors, legatees, heirs and assigns.

8 - This Agreement shall be construed and enforced under and in accordance with the laws of the State of Florida, and jurisdiction and venue for its enforcement shall lie with the Circuit Court in and for Palm Beach County, Florida.

WHEREFORE, the parties have executed this Agreement as of the day and year written above, with intent to be bound.

EMPLOYER:

Discover Palm Beach County, Inc., dba
Palm Beach County Convention & Visitors Bureau

By: _____
Name: Rick Bonsavage
Title: CHAIRMAN of the BOARD
PALM BEACH COUNTY CVB

EMPLOYEE:

Jorge Pesquera

ATTACHMENTS

A Summary of Health Benefits Plan.

B Summary of Dental Benefits Plan.

C Summary of Long-Term Disability Insurance Plan.

D Summary of Voluntary Life Insurance Plan.

E Summary of 401(k) Retirement Benefits Plan.

F Executive Performance Evaluation Worksheet (Current Sample)

G CVB Performance Measures under Contract with County (Current Sample)

Plan - $30,000 life insurance included ("Florida combined Life")

To include family

BlueOptions

For Large Groups

Benefit Summary Plan 1748 with BlueScript Pharmacy Program

With the BlueOptions Network Advantage Plan, you have the freedom to choose between convenient, affordable care from your in-network Physician, or other providers for care as you see fit. In order to take advantage of lower out-of-pocket costs, simply choose an in-network provider.

Benefits for Covered Services

Member Calendar Year Deductibles	
In-Network (Per Individual / Family Aggregate)	$0 / $0
Out-of-Network (Per Individual / Family Aggregate)	$500 / $1,500
Coinsurance Percentage Paid by Plan	
In-Network Providers	100%
Out-of-Network Providers	60%
Physician Office Services Paid by Plan	
In-Network Family Physician	100% after $10 Copayment
In-Network Specialist (no referral needed)	100% after $20 Copayment
Allergy Injections per visit	100% after $10 Copayment

Note: Physician Office Services provided by any provider other than an In-Network Family Physician or Specialist are subject to the Calendar Year Deductible and Coinsurance.

Hospitalization Paid by Plan	
Inpatient Hospital Facility Services Per Admission	
• Option 1	100% after $250 Copayment
• Option 2	100% after $500 Copayment
• Option 3	100% after $750 Copayment
• Out-of-Network	100% after $750 Copayment
Outpatient Hospital Facility Per Visit	
• Option 1	100% after $100 Copayment
• Option 2	100% after $200 Copayment
• Option 3	100% after $300 Copayment
• Out-of-Network	100% after $300 Copayment
Physician Services at Hospital and Emergency Room	
• In-Network	100%
Physician Services at Locations other than Office, Hospital and Emergency Room	
• In-Network Family Physicians	100% after $10 Copayment
• In-Network Specialists	100% after $20 Copayment
Emergency Room Facility Services Per Visit (waived if admitted)	
• In-Network	100% after $50 Copayment
• Out-of-Network	100% after $100 Copayment

Note: Out-of-Network Physician Services at Hospitals, Emergency Rooms and Locations other than Office are subject to the Calendar Year Deductible and Coinsurance.

BlueOptions

For Large Groups
Benefit Summary Plan 1748 with BlueScript Pharmacy Program

Other Services Paid by Plan

Independent Clinical Laboratory	
• In-Network Laboratory	100%
Mammograms (Routine and Diagnostic)	100%
Ambulatory Surgical Center Facility	
• In-Network Facility	100% after $50 Copayment
Independent Diagnostic Testing Facility Service	
• In-Network	100% after $50 Copayment

Note: Out-of-Network Providers and Physician Services are subject to the Calendar Year Deductible and Coinsurance.

Benefit Maximums

Member Out-of-Pocket Maximum

In-Network (Per Individual / Family Aggregate)	$1,500 / $3,000
Out-of-Network	$3,000 / $6,000

Note: Out-of-Pocket Maximum includes Calendar Year Deductibles, Coinsurance and Copayments; excludes Pharmacy.

Calendar Year Maximums Per Insured

Mental Health Services Benefit Maximum:	
• Inpatient days/visits or combination of inpatient and partial hospitalization days	30
• Outpatient visits	20
Home Health Care Benefit Maximum	$2,500
Skilled Nursing Facility Days Benefit Maximum	60
Combined Outpatient Cardiac Rehabilitation and Occupational, Physical, Speech, and Massage Therapies and Spinal Manipulations Benefit Maximum	$2,500
Adult Wellness Benefit Maximum Per Insured	$250
Ambulance Service (per person benefit maximum)	
• Ground Travel	$400 per day
• Air and Water Travel	$4,000 per day

Because we want to make sure you take advantage of these important Benefits, adult wellness services are not subject to the Individual Calendar Year Deductible. You'll only need to meet the Copayment, or applicable Coinsurance, depending on where you receive care and the participating status of your chosen Provider.

Lifetime Maximums Per Insured

Total Lifetime Maximum Benefit	$5,000,000
Substance Dependency Care and Treatment Benefit Maximum	$2,500
Hospice Benefit Maximum	$7,500

BlueCross BlueShield of Florida

BlueOptions

For Large Groups
Benefit Summary Plan 1748 with BlueScript Pharmacy Program

Additional Benefits and Features

BlueScript Prescription Drug Program
In the event your Group has purchased pharmacy coverage from Blue Cross and Blue Shield of Florida, you'll find a Pharmacy Program information sheet enclosed. Please review it carefully, as you'll find it contains an overview of your benefits and how to utilize them.

This is not an insurance contract or Benefit Booklet. The above Benefit Summary is only a partial description of the many benefits and services covered by Blue Cross and Blue Shield of Florida, Inc., an independent licensee of the Blue Cross and Blue Shield Association. For a complete description of benefits and exclusions, please see Blue Cross and Blue Shield of Florida's BlueOptions Benefit Booklet and Schedule of Benefits; its terms prevail.

ATTACHMENT B

DENTAL DESCRIPTION OF BENEFITS
Discover Palm Beach County

To include Family

Please take this information to the dentist, along with your ID card

Group Number: 4043164

CALENDAR YEAR DEDUCTIBLE

	DHA® PPO	Non-PPO
Individual	$50	$50
Family	3 individuals	3 individuals
Applies To	Class II & III	Class II & III

CALENDAR YEAR MAXIMUM BENEFIT

Each Eligible Family Member	$1,500	$1,500
Applies To	Class I, II & III	Class I, II & III

	CLASS I	CLASS II	CLASS III	CLASS IV
	DIAGNOSTIC & PREVENTIVE	BASIC RESTORATIVE	MAJOR RESTORATIVE	ORTHODONTIA
Coinsurance:				
DHA® PPO*	100%	100%	60%	Not Covered
Non-PPO	100%	80%	50%	Not Covered
Description of Services:	Oral evaluations, cleanings, fluoride treatments, sealants, bitewing X-rays, intraoral complete series X-rays or panoramic film	Intraoral periapical X-rays, fillings, extractions, periodontics, root canal therapy	Crowns, dentures, fixed bridges, space maintainers, general anesthesia and intravenous sedation	Orthodontic extractions, full or partial bands, appliances (removable and fixed)

* Dental Health Alliance® – For referral to a PPO provider, call 800.442.7742 or go to www.dha.com.

Pre-Determination: If the charge for any dental treatment is expected to exceed $300, Assurant Employee Benefits recommends a dental treatment plan be submitted to claims for review before treatment begins.

LOCAL OFFICE:

Assurant Employee Benefits
5401 West Kennedy Blvd., Suite 760, 7th Floor
Tampa, FL 33609

T 813.286.7736 800.654.7808 F 813.289.8315

CLAIMS/CUSTOMER SERVICE:

Assurant Employee Benefits
PO Box 2940
Clinton, IA 52733
800.442.7742
Electronic Claims: Payor 70408

This sheet is intended as a summary of benefits for a non-voluntary dental plan. Please consult your certificate booklet for complete coverage details.

03/16/2007

DENTAL DESCRIPTION OF BENEFITS
Discover Palm Beach County

FREQUENTLY ASKED DENTAL ENROLLMENT QUESTIONS

QUESTION: What are my deductibles?

ANSWER: Whether you utilize a DHA® provider or not, your plan has a $50 per person deductible; the family deductible is satisfied when 3 family members meet their $50 per person deductible. The deductible is waived for Preventive services.

QUESTION: Can I see my own dentist?

ANSWER: Yes, this plan allows you to see any dentist you want. However, the DHA® PPO allows you to receive a higher level of benefits if you utilize a preferred provider. If your dentist is not currently a DHA® provider, you can nominate your dentist for membership by calling toll-free 800.442.7742.

QUESTION: What is DHA®*?

ANSWER: Dental Health Alliance® L.L.C., or DHA®, is a national dental Preferred Provider Organization (PPO) owned and operated by Union Security Insurance Company and Assurant, Inc. DHA® PPO dentists will discount services not covered by this plan.

QUESTION: How do I locate a PPO provider?

ANSWER: To locate a DHA® PPO provider in your area, contact DHA® at 800.442.7742. A service representative can confirm whether your current dentist is a DHA® PPO panel member, help you nominate your dentist for DHA® membership, or refer you to DHA® PPO providers in your area. You can nominate your dentist or receive a referral through the DHA® website at www.dha.com. To simply locate a dentist, the DHA® PPO provider directory can be a valuable resource.

QUESTION: When I visit the dentist, do I have to fill out a claim form?

ANSWER: No. Claim forms are available, but they are *not* required. Assurant Employee Benefits will accept a dentist's invoice of services in lieu of a claim form. You will, however, need to provide your dentist with your group number and your social security number, which serve as your identification for all claims.

QUESTION: Who is a Late Entrant?

ANSWER: A "Late Entrant" is anyone who enrolls in this dental plan more than 31 days after becoming eligible for the plan. Late Entrants may be subject to additional waiting periods for Class II Basic and Class III Major services, so there is an advantage to being a "Timely Entrant" who enrolls in the plan within 31 days of becoming eligible.

QUESTION: Who are eligible dependents?

ANSWER: Those qualified to be covered under your dental plan include your spouse and children under the age of 19 or 25 if a full-time or part-time student, or less than age 25 if living at home and dependent upon the insured for support and maintenance. State variations, limitations, and exclusions may apply.

The insurance policy or policies described in this document are underwritten by Union Security Insurance Company, a subsidiary of Assurant, Inc. Assurant Employee Benefits, a business unit of Assurant, Inc., markets life, disability and dental benefits plans as well as related products and services.

This sheet is intended as a summary of benefits for a non-voluntary dental plan. Please consult your certificate booklet for complete coverage details.

Employee Dental Application—Florida

G. O. no. _____

Group policy/participant no.	Account no.	Cert. no.	Employer	Employment location/phone no.
4043164			Discover Palm Beach Cty	

Employee name Last First Initial	Full-time employ. date Mo. Day Yr.	Part-time employ. date Mo. Day Yr.	Sex ☐M ☐F	Married ☐Yes ☐No	Children ☐Yes ☐No

Employee date of birth Month Day Year	No. hrs. per week _____	Job title or position	State of residence	Employee Soc. Sec. no

Status: *(If status area is not completed, we consider the employee to be active.)*

☐ Retired ☐ Continuation ☐ Leave of absence ☐ Other _____

Reason _____ Date _____

Please mark **X** in box before the coverages you are applying for if you are eligible for them under your employer's plan:
Employee: ☐ Dental
Dependent: ☐ Dental **Please** mark **X** in box before the dependents to be covered: ☐ Spouse ☐ Children

If spouse coverage is being applied for, complete the following.

Name of Spouse	Date of Birth Month Day Year	Social Security No.	Employer	Current Dental Insurance Carrier

Write in the names and dates of birth of children to be covered *(subject to plan provisions)*.

_____

_____

Were you covered under another dental plan within the last 31 days? ☐ No ☐ Yes

If "Yes," termination date _____ Reason for termination of other coverage _____

***NOTE**—Coverages not specifically elected will not be made effective, even if not refused.
ELECTIONS NOT VALID WITHOUT SIGNATURE.

If coverage is refused, provide the reason for refusal. _____

IMPORTANT NOTICE TO APPLICANT — PLEASE READ CAREFULLY

My signature on this application certifies that I:

(1) Apply for the coverage designated for which I am eligible under my employer's plan with Union Security Insurance Company. (2) Understand if coverage has been refused, I am not entitled to benefits under that coverage and that if I want to apply later, I understand I will not be entitled to benefits until the expiration of the Late Entrant Limitation period specified in the policy (3) Authorize any required deductions from my earnings. (4) Represent that all of the information on this application is complete, correct and true to the best of my knowledge and belief. (5) Understand that I must meet the eligibility requirements specified in my policy/participation agreement to remain insured. (6) Understand that I have the right to select any dental care provider of my choice. (7) Understand that the dental plan includes a pre-estimate provision, that will advise me in advance of the benefits I may be eligible for if the procedure is performed. (8) When necessary, I may be asked to execute a HIPAA authorization form, allowing Union Security Insurance Company to use and disclose protected health information.

Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.

This will certify that I HAVE read and understand the above important notice.

Signature _____ Date _____

Union Security Insurance Company
Mail to: **Assurant Employee Benefits** PO Box 2939 Clinton Iowa 52733-2939

Vision Discount Services

ACCESS PLAN

Your dental plan includes a vision discount plan through Vision Service Plan (VSP). The vision plan includes discounts on exams (including contact lens exams) and the purchase of eyeglasses, sunglasses and other prescription eyewear when provided by VSP doctors. VSP is available for you and everyone covered on your dental plan!

Services Available from a VSP Doctor

- **Eye Exams** – 20% discount applied to VSP doctor's usual and customary fees for eye exams[1]
- **Glasses** – 20% discount applied to VSP doctor's usual and customary fees for complete pairs of prescription glasses and spectacle lens options[2]
- **Contact Lenses** – 15% discount on VSP network doctor's contact lens exam fee.
- **Laser VisionCare**℠ – VSP has contracted with many of the nation's laser surgery facilities and doctors, offering you a discount off PRK and LASIK surgeries, available through contracted laser centers

Other Valuable Features for You

- Immediate savings when using a VSP doctor
- You may use the discounts as often as you wish
- No waiting periods
- No deductibles
- No claim forms to fill out

How to Use VSP

Locate a VSP doctor near you. You may either use our Web-based doctor locator at www.vsp.com, or call VSP at 800.877.7195 to request a doctor listing.

Identify yourself as a VSP member and be prepared to provide the *enrolled member's* social security number when you make your appointment. (The VSP doctor will verify your eligibility and vision plan coverage, and will obtain authorization for services and materials. If you are not currently eligible for services, the VSP doctor is responsible for communicating this to you.)

Your fees are automatically reduced at the time of service – with no claim forms to fill out!

THIS VISION DISCOUNT PLAN IS NOT INSURANCE.

[1]Note: Does not apply to contact lens services. See contact lens section for applicable discount.
[2]Discounts only offered through the VSP doctor who provided an eye exam within the last 12 months.

VSP Member Services Support: 800.877.7195
Visit our Web site at www.vsp.com

ATTACHMENT C

VOLUNTARY GROUP LONG-TERM DISABILITY INSURANCE
For
Discover Palm Beach County Inc.

Coverage to be revised as necessary

AM I ELIGIBLE FOR THIS PROGRAM?
To be eligible, you must be an active full-time employee earning at least $12,000 annually and working in the United States. Your employer may also require that you be employed for a minimum period of time to be eligible for this program.

HOW MUCH INSURANCE CAN I BUY?
The plan offers units of $100 with a minimum benefit of $500 to a maximum monthly benefit equal to the lesser of $5,000 or 60% of your basic monthly salary, rounded to the next lower $100. Your basic monthly salary includes your basic monthly pay for up to a 40-hour week.

HOW SOON WOULD MY BENEFIT BEGIN?
There is an initial period of time following the start of a disability called a qualifying period when benefits are not payable. After this period has elapsed, benefits are paid on a monthly basis. The qualifying period is selected by your employer and will be 3 months.

HOW LONG WILL BENEFITS BE PAID?
If you are disabled prior to age 60, the plan can pay benefits up to age 65 or Social Security Normal Retirement Age. If you are disabled after age 60, benefits may be paid beyond age 65.

HOW IS DISABILITY DEFINED IN ORDER TO QUALIFY FOR BENEFITS?
A disability can be the result of an injury, a sickness, or pregnancy. There are two tests we use to determine if a person is disabled. You need to satisfy only one test to qualify.

Occupation Test - During the first 24 months of a disability, if you are unable to perform at least one of the material duties of your regular occupation and are under the regular care and attendance of a physician, you are considered disabled. After being disabled 24 months, you will continue to be considered disabled if you are receiving disability benefits from a social security plan or have reached normal retirement age before the end of the 24-month period and are unable to do full-time work.

Earnings Test - If you are still working, but are unable to earn at least 80% of your pre-disability monthly earnings because of your condition, you may also be considered disabled.

WILL PAYMENTS FROM OTHER SOURCES AFFECT THE AMOUNT OF LTD BENEFIT PAID TO ME?
Yes, your LTD benefit will be reduced by other sources of income you receive, due to your disability. Benefits or payments from any of the following sources of income will be directly subtracted from the benefit you select under this plan:

- Disability benefits from: any other employer sponsored group disability plan; Social Security, including dependent benefits payable because of your disability; state temporary disability benefits; or any other government plan.
- Any benefits (except medical or death benefits) or any amount received in a settlement or compromise of your rights under any Workers' Compensation Act or similar law or the Maritime Doctrine of Maintenance, Wages, or Cure.
- Retirement benefits from a government plan or retirement benefits, disability benefits, or similar benefits from a retirement plan sponsored by your employer.

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In addition, we establish a monthly payment limit. The monthly payment limit is 70% of your pre-disability monthly earnings. If your selected benefit before any reductions, plus any benefits or payments from any of the following sources is more than 70% of your pre-disability income, your benefit will be further reduced by the excess.

- Any group disability contract, excluding one sponsored by your employer.
- 70% of any salary, wages, partnership or proprietorship draw, commissions or similar pay you earn from any employment after the first twelve months of a trial return to work (see section "What happens if I go to work on a limited basis?")
- Benefits from any no-fault motor vehicle coverage, unless (i) prohibited by state law; (ii) it determines its benefits after benefits have been paid under the LTD plan; or (iii) the benefits are provided under optional coverage.

WHAT HAPPENS IF I GO TO WORK ON A LIMITED BASIS? DO MY BENEFITS STOP?
During the first 12 months of a limited return to work, we only reduce your benefit if it and your new earnings combined exceed 100% of your pre-disability monthly earnings. After that, we may replace up to 70% of your lost income.

DO I NEED TO ANSWER ANY MEDICAL QUESTIONS OR BE EXAMINED BY A DOCTOR TO ENROLL?
Proof of good health is not required if you enroll for coverage within 31 days of your date of eligibility for coverage. Instead, this plan pays no benefit for any disability that begins in the first 12 months of your coverage, if the disability results from a pre-existing condition. A pre-existing condition is one for which you have seen a medical practitioner or taken medication in the 6 months before your coverage effective date, and for which you did not go "treatment-free" for 6 months before your disability begins.

ARE THERE ANY LIMITATIONS?
Benefits for Special Conditions, which include disabilities related to alcoholism, drug addiction or chemical dependency and certain mental illnesses are limited to 24 months. The same is true for disabilities arising from chronic fatigue syndrome, environmental allergic illness and various back and neck problems including strains and sprains. This is a combined maximum for all periods of disability associated with these conditions.

WHAT ABOUT INCENTIVES FOR REHABILITATION?
Rehabilitative employment is encouraged by including a Quality of Care Benefit and a Managed Rehabilitation Benefit. The Quality of Care Benefit provides services and support initiatives from Assurant Employee Benefits' clinical staff that are targeted at helping you return to better health so you can return to work. The Managed Rehabilitation Benefit provides assistance and various incentives to participate in a vocational rehabilitation plan and a disciplined approach to claimant motivation.

WHAT IS NOT COVERED?
No LTD benefits are payable for any disability caused by: war, or any act of war, whether declared or not; intentionally self-inflicted injury, taking part in or the result of taking part in committing a felony. No benefits are payable for any time you are confined to any facility because you were convicted of a crime or public offense. In addition, we will not pay benefits if: your employer, the policyholder or an associated company has offered you the opportunity to return to limited work while you are disabled; and you are functionally capable of performing the limited work which is offered; and you do not return to work when and as scheduled.

HOW MUCH DOES IT COST?
Voluntary LTD is offered at group rates through convenient payroll deduction. Please see your enrollment materials.

HOW DO I ENROLL?
Complete the enrollment request form. You must be actively at work on the effective date of your coverage; otherwise, your coverage becomes effective the day you return to work full-time. For this policy to remain in force, the greatest of 10 employees or 25% of the eligible group must enroll. This highlight sheet provides a brief description of coverage. In the event that a discrepancy exists, the policy provisions will prevail. We can cancel the policy after giving the policyholder 31 days written notice.

Products and services marketed by Assurant Employee Benefits are underwritten and/or provided by Union Security Insurance Company.

Assurant Employee Benefits 2323 Grand Boulevard Kansas City, MO 64108
Telephone (816) 474-2345 Facsimile (816) 881-8996 www.assurantemployeebenefits.com

Assurant Employee Benefits
2323 Grand Boulevard
Kansas City, MO 64108
(800) 733-7879

VOLUNTARY DISABILITY

Discover Palm Beach County, Inc.

PREMIUM DEDUCTION SCHEDULE BASED ON 12 PAY PERIODS PER YEAR

Instructions to determine your benefit amount and payroll deduction:

1. Find your "Annual Salary" or "Basic Salary per Pay Period". (Salary is gross salary before any deductions such as taxes or FICA. Basic salary does not include overtime pay, bonuses, or other compensation.) The amount in the "Maximum Monthly Benefit" column across from your salary is the highest amount of benefit available to you. You may choose this amount or any lesser benefit amount listed down to $500 per month.

2. Move across the row of the monthly benefit amount you have chosen to the column corresponding to your age to determine your approximate cost.

3-MONTH ELIMINATION PERIOD AND 12 PAY PERIODS

ANNUAL SALARY	BASIC SALARY PER PAY PERIOD	MAXIMUM MONTHLY BENEFIT	AGE								
			thru 24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
Minimum Election		$500	2.21	2.26	2.40	2.91	4.42	7.37	12.30	14.88	17.56
12,000 - 13,999	1,000 - 1,167	$600	2.65	2.71	2.87	3.49	5.30	8.84	14.76	17.86	21.07
14,000 - 15,999	1,167 - 1,333	$700	3.09	3.16	3.35	4.07	6.18	10.32	17.22	20.83	24.58
16,000 - 17,999	1,333 - 1,500	$800	3.53	3.61	3.83	4.66	7.06	11.79	19.68	23.81	28.09
18,000 - 19,999	1,500 - 1,667	$900	3.97	4.06	4.31	5.24	7.95	13.27	22.14	26.78	31.60
20,000 - 21,999	1,667 - 1,833	$1,000	4.41	4.51	4.79	5.82	8.83	14.74	24.60	29.76	35.11
22,000 - 23,999	1,833 - 2,000	$1,100	4.85	4.96	5.27	6.40	9.71	16.21	27.06	32.74	38.62
24,000 - 25,999	2,000 - 2,167	$1,200	5.29	5.41	5.75	6.98	10.60	17.69	29.52	35.71	42.13
26,000 - 27,999	2,167 - 2,333	$1,300	5.73	5.86	6.23	7.57	11.48	19.16	31.98	38.69	45.64
28,000 - 29,999	2,333 - 2,500	$1,400	6.17	6.31	6.71	8.15	12.36	20.64	34.44	41.66	49.15
30,000 - 31,999	2,500 - 2,667	$1,500	6.62	6.77	7.19	8.73	13.25	22.11	36.90	44.64	52.67
32,000 - 33,999	2,667 - 2,833	$1,600	7.06	7.22	7.66	9.31	14.13	23.58	39.36	47.62	56.18
34,000 - 35,999	2,833 - 3,000	$1,700	7.50	7.67	8.14	9.89	15.01	25.06	41.82	50.59	59.69
36,000 - 37,999	3,000 - 3,167	$1,800	7.94	8.12	8.62	10.48	15.89	26.53	44.28	53.57	63.20
38,000 - 39,999	3,167 - 3,333	$1,900	8.38	8.57	9.10	11.06	16.78	28.01	46.74	56.54	66.71
40,000 - 41,999	3,333 - 3,500	$2,000	8.82	9.02	9.58	11.64	17.66	29.48	49.20	59.52	70.22
42,000 - 43,999	3,500 - 3,667	$2,100	9.26	9.47	10.06	12.22	18.54	30.95	51.66	62.50	73.73
44,000 - 45,999	3,667 - 3,833	$2,200	9.70	9.92	10.54	12.80	19.43	32.43	54.12	65.47	77.24
46,000 - 47,999	3,833 - 4,000	$2,300	10.14	10.37	11.02	13.39	20.31	33.90	56.58	68.45	80.75
48,000 - 49,999	4,000 - 4,167	$2,400	10.58	10.82	11.50	13.97	21.19	35.38	59.04	71.42	84.26

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Assurant Employee Benefits
2323 Grand Boulevard
Kansas City, MO 64108
(800) 733-7879

3-Month Elimination Period And 12 Pay Periods												
			Age									
Annual Salary	Basic Salary Per Pay Period	Maximum Monthly Benefit	thru 24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+
50,000 - 51,999	4,167 - 4,333	$2,500	11.03	11.28	11.98	14.55	22.08	36.85	61.50	74.40	87.78
52,000 - 53,999	4,333 - 4,500	$2,600	11.47	11.73	12.45	15.13	22.96	38.32	63.96	77.38	91.29
54,000 - 55,999	4,500 - 4,667	$2,700	11.91	12.18	12.93	15.71	23.84	39.80	66.42	80.35	94.80
56,000 - 57,999	4,667 - 4,833	$2,800	12.35	12.63	13.41	16.30	24.72	41.27	68.88	83.33	98.31
58,000 - 59,999	4,833 - 5,000	$2,900	12.79	13.08	13.89	16.88	25.61	42.75	71.34	86.30	101.82
60,000 - 61,999	5,000 - 5,167	$3,000	13.23	13.53	14.37	17.46	26.49	44.22	73.80	89.28	105.33
62,000 - 63,999	5,167 - 5,333	$3,100	13.67	13.98	14.85	18.04	27.37	45.69	76.26	92.26	108.84
64,000 - 65,999	5,333 - 5,500	$3,200	14.11	14.43	15.33	18.62	28.26	47.17	78.72	95.23	112.35
66,000 - 67,999	5,500 - 5,667	$3,300	14.55	14.88	15.81	19.21	29.14	48.64	81.18	98.21	115.86
68,000 - 69,999	5,667 - 5,833	$3,400	14.99	15.33	16.29	19.79	30.02	50.12	83.64	101.18	119.37
70,000 - 71,999	5,833 - 6,000	$3,500	15.44	15.79	16.77	20.37	30.91	51.59	86.10	104.16	122.89
72,000 - 73,999	6,000 - 6,167	$3,600	15.88	16.24	17.24	20.95	31.79	53.06	88.56	107.14	126.40
74,000 - 75,999	6,167 - 6,333	$3,700	16.32	16.69	17.72	21.53	32.67	54.54	91.02	110.11	129.91
76,000 - 77,999	6,333 - 6,500	$3,800	16.76	17.14	18.20	22.12	33.55	56.01	93.48	113.09	133.42
78,000 - 79,999	6,500 - 6,667	$3,900	17.20	17.59	18.68	22.70	34.44	57.49	95.94	116.06	136.93
80,000 - 81,999	6,667 - 6,833	$4,000	17.64	18.04	19.16	23.28	35.32	58.96	98.40	119.04	140.44
82,000 - 83,999	6,833 - 7,000	$4,100	18.08	18.49	19.64	23.86	36.20	60.43	100.86	122.02	143.95
84,000 - 85,999	7,000 - 7,167	$4,200	18.52	18.94	20.12	24.44	37.09	61.91	103.32	124.99	147.46
86,000 - 87,999	7,167 - 7,333	$4,300	18.96	19.39	20.60	25.03	37.97	63.38	105.78	127.97	150.97
88,000 - 89,999	7,333 - 7,500	$4,400	19.40	19.84	21.08	25.61	38.85	64.86	108.24	130.94	154.48
90,000 - 91,999	7,500 - 7,667	$4,500	19.85	20.30	21.56	26.19	39.74	66.33	110.70	133.92	158.00
92,000 - 93,999	7,667 - 7,833	$4,600	20.29	20.75	22.03	26.77	40.62	67.80	113.16	136.90	161.51
94,000 - 95,999	7,833 - 8,000	$4,700	20.73	21.20	22.51	27.35	41.50	69.28	115.62	139.87	165.02
96,000 - 97,999	8,000 - 8,167	$4,800	21.17	21.65	22.99	27.94	42.38	70.75	118.08	142.85	168.53
98,000 - 99,999	8,167 - 8,333	$4,900	21.61	22.10	23.47	28.52	43.27	72.23	120.54	145.82	172.04
100,000 +	8,333 +	$5,000	22.05	22.55	23.95	29.10	44.15	73.70	123.00	148.80	175.55

ATTACHMENT D

Voluntary Life
For
Discover Palm Beach County, Inc.

Coverage to be revised as necessary

Voluntary Group Term Life and Accidental Death and Dismemberment (AD&D) coverage is available to you for purchase through payroll deduction. Voluntary Life insurance can be a way to protect your family in the event of your death, particularly if you have financial obligations such as a mortgage or children in college.

The plan your employer has selected includes the following features:

Eligibility

- You are eligible to participate in the plan if you are a full-time mployee of the policyholder or an associated company,
  - who is at active work, and
  - who is working in the United States of America, except any temporary or seasonal worker.
  - Any other requirements set by your employer must also be met. "Full-time" means working at least 30 hours per week.
- Dependent Life insurance is available for eligible dependents, including your lawful spouse (if not disabled or hospital confined on the effective date) and unmarried children (if not hospital confined) from live birth to age 19, or to age 25 if a full-time student. The hospital confinement exception does not apply to a child born while dependent insurance is in effect.
- If you and your spouse work for the same employer and are both eligible for this insurance as employees, you cannot cover each other as dependents, and only one of you may insure any dependent children.

Voluntary Life Schedule Amounts

- Life insurance coverage is available in $10,000 units from a minimum of $20,000 to a maximum of $250,000, not to exceed 5 times your basic annual earnings.
- At age 70, we will reduce by 33% the original Life insurance amount, rounded to the next higher $10,000, if not already an exact multiple of $10,000; at age 75, reduce by 33% of the inforce amount, similarly rounded. The reduced amount will not be less than $20,000.
- If you elect coverage for yourself, you can buy up to 50% of that amount for your spouse in $5,000 units to a maximum of $125,000. If you elect child coverage, your children are eligible to be covered for $1,000, $5,000 or $10,000 each. The amount of insurance for an eligible dependent cannot be more than 50% of your Life insurance amount.

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Accidental Death and Dismemberment Insurance (AD&D)

- The AD&D benefit, if elected, equals the employee Life amount, to a maximum of $250,000. AD&D provides 24-hour coverage and a benefit in the event of your loss of life, limb or eyesight as a direct result of an accident, provided the loss occurs within 365 days of the accident. The coverage includes:
  - A Higher Education Benefit that pays an additional $3,000 per year for up to 4 consecutive years for eligible dependent students.
  - An Automobile Accident Benefit that pays an additional 20% of the scheduled AD&D benefit, to a maximum of $100,000, if the covered person dies from an automobile accident injury while wearing a seat belt, provided an AD&D benefit is payable. Limitations and exclusions may apply.
  - In the case of AD&D, we will not pay benefits if the loss results directly or indirectly from war; riot or insurrection; service in the armed forces; physical or mental disease; infection (except pyogenic infection that occurs from an accidental wound); assault or felony committed by the covered person; suicide or attempted suicide; intentionally self-inflicted injury; the use of any drug, unless it is used as prescribed by a doctor; or your intoxication, including but not limited to operating a motor vehicle while you are intoxicated.

Proof of good health requirements

- The Guarantee Issue amount for an employee is **$50,000**; a spouse is **$25,000**; a child is **$10,000**.
- "Guarantee Issue" means the amount of coverage you can purchase without answering proof of good health questions. Guarantee Issue amounts apply to timely eligible applicants. A timely applicant is one who applies for coverage within 31 days from the date that all eligibility requirements are met. If you decline Voluntary Life coverage, you may be required to provide proof of good health to become insured.

Additional Features

- If you become disabled, your premiums may be waived to the earliest of age 65, recovery or retirement if disabled prior to age 60. If you become disabled at age 60 through 64, the waiver of premium will be to the earliest of one year, age 65 or retirement. You may be considered disabled for Life insurance if you are considered disabled under our Long-Term Disability policy. Any time Life insurance is continued under the Waiver of Premium, AD&D insurance will also be continued (and the premium waived) for up to 1 year from the date of disability. Limitations and exclusions apply.
- An Accelerated Benefit pays up to 80% of the Life benefit to a maximum of $200,000 in the event of a life-threatening medical condition where there is a life expectancy of 12 months or less. An Accelerated Benefit may also be available for an insured spouse. Limitations and exclusions apply.
- Plan portability allows you to continue coverage up to 3 years after terminating current employment. Limitations and exclusions apply.
- A Conversion Privilege allows you to convert to an individual policy if any or all of your Life insurance ends while you are insured under our group life policy. AD&D coverage is not eligible for conversion. Limitations and exclusions apply.

For insureds or dependents who commit suicide within the first year after the effective date of their coverage, the only benefit amount payable is a refund of the amount of the insured's contributions. This coverage has limitations and exclusions. Not all plan provisions or options are available in all states. In addition, some states require modifications to the benefits described here. For complete details, please contact your company's benefits representative or refer to your benefit booklet. This highlight sheet provides a brief description of coverage. In the event that a discrepancy exists, the policy provisions will prevail. We can cancel the policy after giving the policyholder 31 days written notice.

Assurant Employee Benefits 2323 Grand Boulevard Kansas City, MO 64108
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(800) 733-7879

VOLUNTARY LIFE MONTHLY PREMIUM DEDUCTION SCHEDULES FOR: Discover Palm Beach County, Inc.

	Employee Life Premiums													AD&D				
Benefit	Age													Age				
1000's	<20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75+	<30	30-39	40-49	50-64	65+
$20	0.76	1.24	1.48	1.92	2.56	4.12	5.88	11.04	21.36	31.20	53.24	95.00	351.24	0.60	0.80	1.00	1.20	1.40
$30	1.14	1.86	2.22	2.88	3.84	6.18	8.82	16.56	32.04	46.80	79.86	142.50	526.86	0.90	1.20	1.50	1.80	2.10
$40	1.52	2.48	2.96	3.84	5.12	8.24	11.76	22.08	42.72	62.40	106.48	190.00	702.48	1.20	1.60	2.00	2.40	2.80
$50	1.90	3.10	3.70	4.80	6.40	10.30	14.70	27.60	53.40	78.00	133.10	237.50	878.10	1.50	2.00	2.50	3.00	3.50
$60	2.28	3.72	4.44	5.76	7.68	12.36	17.64	33.12	64.08	93.60	159.72	285.00	1,053.72	1.80	2.40	3.00	3.60	4.20
$70	2.66	4.34	5.18	6.72	8.96	14.42	20.58	38.64	74.76	109.20	186.34	332.50	1,229.34	2.10	2.80	3.50	4.20	4.90
$80	3.04	4.96	5.92	7.68	10.24	16.48	23.52	44.16	85.44	124.80	212.96	380.00	1,404.96	2.40	3.20	4.00	4.80	5.60
$90	3.42	5.58	6.66	8.64	11.52	18.54	26.46	49.68	96.12	140.40	239.58	427.50	1,580.58	2.70	3.60	4.50	5.40	6.30
$100	3.80	6.20	7.40	9.60	12.80	20.60	29.40	55.20	106.80	156.00	266.20	475.00	1,756.20	3.00	4.00	5.00	6.00	7.00
$110	4.18	6.82	8.14	10.56	14.08	22.66	32.34	60.72	117.48	171.60	292.82	522.50	1,931.82	3.30	4.40	5.50	6.60	7.70
$120	4.56	7.44	8.88	11.52	15.36	24.72	35.28	66.24	128.16	187.20	319.44	570.00	2,107.44	3.60	4.80	6.00	7.20	8.40
$130	4.94	8.06	9.62	12.48	16.64	26.78	38.22	71.76	138.84	202.80	346.06	617.50	2,283.06	3.90	5.20	6.50	7.80	9.10
$140	5.32	8.68	10.36	13.44	17.92	28.84	41.16	77.28	149.52	218.40	372.68	665.00	2,458.68	4.20	5.60	7.00	8.40	9.80
$150	5.70	9.30	11.10	14.40	19.20	30.90	44.10	82.80	160.20	234.00	399.30	712.50	2,634.30	4.50	6.00	7.50	9.00	10.50
$160	6.08	9.92	11.84	15.36	20.48	32.96	47.04	88.32	170.88	249.60	425.92	760.00	2,809.92	4.80	6.40	8.00	9.60	11.20
$170	6.46	10.54	12.58	16.32	21.76	35.02	49.98	93.84	181.56	265.20	452.54	807.50	2,985.54	5.10	6.80	8.50	10.20	11.90
$180	6.84	11.16	13.32	17.28	23.04	37.08	52.92	99.36	192.24	280.80	479.16	855.00	3,161.16	5.40	7.20	9.00	10.80	12.60
$190	7.22	11.78	14.06	18.24	24.32	39.14	55.86	104.88	202.92	296.40	505.78	902.50	3,336.78	5.70	7.60	9.50	11.40	13.30
$200	7.60	12.40	14.80	19.20	25.60	41.20	58.80	110.40	213.60	312.00	532.40	950.00	3,512.40	6.00	8.00	10.00	12.00	14.00
$210	7.98	13.02	15.54	20.16	26.88	43.26	61.74	115.92	224.28	327.60	559.02	997.50	3,688.02	6.30	8.40	10.50	12.60	14.70
$220	8.36	13.64	16.28	21.12	28.16	45.32	64.68	121.44	234.96	343.20	585.64	1,045.00	3,863.64	6.60	8.80	11.00	13.20	15.40
$230	8.74	14.26	17.02	22.08	29.44	47.38	67.62	126.96	245.64	358.80	612.26	1,092.50	4,039.26	6.90	9.20	11.50	13.80	16.10
$240	9.12	14.88	17.76	23.04	30.72	49.44	70.56	132.48	256.32	374.40	638.88	1,140.00	4,214.88	7.20	9.60	12.00	14.40	16.80
$250	9.50	15.50	18.50	24.00	32.00	51.50	73.50	138.00	267.00	390.00	665.50	1,187.50	4,390.50	7.50	10.00	12.50	15.00	17.50

The insurance policy or policies described in this document are underwritten by Union Security Insurance Company, a subsidiary of Assurant, Inc. Assurant Employee Benefits, a business unit of Assurant, Inc., markets life, disability and dental benefits plans as well as related products and services.

Assurant Employee Benefits
2323 Grand Boulevard
Kansas City, MO 64108
(800) 733-7879

Spouse Life Premiums													
Benefits	Age												
000's	<20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75+
$5	0.28	0.44	0.53	0.65	0.85	1.26	1.98	3.56	6.76	10.14	16.54	30.74	102.63
$10	0.56	0.88	1.06	1.30	1.70	2.52	3.96	7.12	13.52	20.28	33.08	61.48	205.26
$15	0.84	1.32	1.59	1.95	2.55	3.78	5.94	10.68	20.28	30.42	49.62	92.22	307.89
$20	1.12	1.76	2.12	2.60	3.40	5.04	7.92	14.24	27.04	40.56	66.16	122.96	410.52
$25	1.40	2.20	2.65	3.25	4.25	6.30	9.90	17.80	33.80	50.70	82.70	153.70	513.15
$30	1.68	2.64	3.18	3.90	5.10	7.56	11.88	21.36	40.56	60.84	99.24	184.44	615.78
$35	1.96	3.08	3.71	4.55	5.95	8.82	13.86	24.92	47.32	70.98	115.78	215.18	718.41
$40	2.24	3.52	4.24	5.20	6.80	10.08	15.84	28.48	54.08	81.12	132.32	245.92	821.04
$45	2.52	3.96	4.77	5.85	7.65	11.34	17.82	32.04	60.84	91.26	148.86	276.66	923.67
$50	2.80	4.40	5.30	6.50	8.50	12.60	19.80	35.60	67.60	101.40	165.40	307.40	1,026.30
$55	3.08	4.84	5.83	7.15	9.35	13.86	21.78	39.16	74.36	111.54	181.94	338.14	1,128.93
$60	3.36	5.28	6.36	7.80	10.20	15.12	23.76	42.72	81.12	121.68	198.48	368.88	1,231.56
$65	3.64	5.72	6.89	8.45	11.05	16.38	25.74	46.28	87.88	131.82	215.02	399.62	1,334.19
$70	3.92	6.16	7.42	9.10	11.90	17.64	27.72	49.84	94.64	141.96	231.56	430.36	1,436.82
$75	4.20	6.60	7.95	9.75	12.75	18.90	29.70	53.40	101.40	152.10	248.10	461.10	1,539.45
$80	4.48	7.04	8.48	10.40	13.60	20.16	31.68	56.96	108.16	162.24	264.64	491.84	1,642.08
$85	4.76	7.48	9.01	11.05	14.45	21.42	33.66	60.52	114.92	172.38	281.18	522.58	1,744.71
$90	5.04	7.92	9.54	11.70	15.30	22.68	35.64	64.08	121.68	182.52	297.72	553.32	1,847.34
$95	5.32	8.36	10.07	12.35	16.15	23.94	37.62	67.64	128.44	192.66	314.26	584.06	1,949.97
$100	5.60	8.80	10.60	13.00	17.00	25.20	39.60	71.20	135.20	202.80	330.80	614.80	2,052.60
$105	5.88	9.24	11.13	13.65	17.85	26.46	41.58	74.76	141.96	212.94	347.34	645.54	2,155.23
$110	6.16	9.68	11.66	14.30	18.70	27.72	43.56	78.32	148.72	223.08	363.88	676.28	2,257.86
$115	6.44	10.12	12.19	14.95	19.55	28.98	45.54	81.88	155.48	233.22	380.42	707.02	2,360.49
$120	6.72	10.56	12.72	15.60	20.40	30.24	47.52	85.44	162.24	243.36	396.96	737.76	2,463.12
$125	7.00	11.00	13.25	16.25	21.25	31.50	49.50	89.00	169.00	253.50	413.50	768.50	2,565.75

Child Amount	$1,000	$5,000	$10,000
Child Premium	0.18	0.90	1.80

Premiums shown are approximate.

ATTACHMENT E

Principal Life Insurance Company
Mason City, IA 50402-2000

Plan Summary

Discover Palm Beach County
401(k) Pension Plan
Plan ID: 4-46078

Eligibility and Entry

You may begin to participate in the plan if you:

- have completed 1 year of service with the company in which you worked at least 1000 hours

You enter the plan on the first day of the month on or after you meet the eligibility requirements.

Pay

Your employer can provide more detailed information. Employer pays 10% of base salary.

Salary Deferral Contributions

You may choose to contribute up to 13% of your pay.

Your taxable income is reduced by the amount you contribute through salary deferral. This lets you reduce your current income taxes. Your total salary deferral in 2007 may not be more than $15,500. Your maximum deferral percentage and/or dollar amount may also be limited by IRS regulations.

If you are 50 years old or older during the plan year and have met the annual IRS Deferral Limit (or the specified plan limit for deferrals) you may contribute a catch-up deferral of up to $5,000 in 2007. If you think you qualify and are interested in contributing catch-up deferrals contact your Plan Administrator for more details.

Salary Deferral Changes

You may stop making salary deferral contributions or change your salary deferral amount at any time.

Employer Contributions

Your employer may make a discretionary contribution at the end of the plan year if you meet the requirements below.

The conditions you have to meet may include an hours requirement and/or require you to be an active participant during or at the end of the plan year.

Employer contributions may change in the future.

Rollover Contributions

You may be allowed to rollover into this plan all or a portion of the retirement funds you have outside this plan. You are always 100% vested in any rollover contributions made to this plan. To receive additional information, contact your Plan Administrator or visit us at www.principal.com or call 1-800-547-7754.

Vesting

You are always 100% vested in the contributions YOU choose to defer. You cannot forfeit these contributions.

You are vested in Discover Palm Beach County, Inc. contributions based on years of vesting service in which you worked at least 1,000 hours as shown below.

Years	Less than 2	2	3	4	5	6 or more
Vesting %	0%	20%	40%	60%	80%	100%

Investments

Your retirement benefit plan intends to qualify as an ERISA §404(c) plan. This means that the Plan Fiduciary has transferred some responsibility for investing the retirement account to you. You are able to direct the investment of the retirement account balance by choosing among several fund options.

For the plan to qualify under ERISA §404(c), you must be given:

- the opportunity to diversify your investment, and
- the ability to make an informed decision

This summary includes a brief description of your employer's retirement plan. If there are any discrepancies between this summary and the plan document, the plan document will govern. Contact your employer if you would like to see the plan document.

Most withdrawals/distributions are subject to taxation and required withholding. Check with your financial/tax advisor on how this may affect you.

The Principal is required by the IRS to withhold 20% of any distribution eligible for rollover if it is not directly rolled over to another eligible retirement plan, including an IRA, or used to purchase an annuity to be paid over a minimum period of the lesser of 10 years or the participant's life expectancy. This withholding will offset a portion of federal income taxes you owe on the distribution.

The retirement account may be affected differently by individual state taxation rules. Contact your tax advisor with questions.

The Retirement and Investor Services - Client Contact Center at The Principal is available to answer questions about the retirement plan, too. Please call 1-800-547-7754 Monday through Friday, 7 am - 9 pm and Saturday 8 am - 2 pm (Central Time), to speak with a counselor.

To find out more information about the Principal Financial Group®, visit our home page at www.principal.com.

06/26/2007

** If you enrolled in the Principal Managed Account Program SM (Program), you have appointed Ibbotson Associates as the independent financial expert within the Program with discretionary authority to manage for you the retirement plan assets held for your benefit. This means that while in the Program, you will be prohibited from initiating transfers among Eligible Investment Options (as defined in the Participant Agreement for the Program) and directing how new contributions are allocated.*

The investment advice provided through the Principal Managed Account Program SM is provided by Ibbotson Associates. Access to the advice and securities and advisory products are offered through Princor Financial Services Corporation, 1-800-247-4123, member SIPC. Princor is a member of the Principal Financial Group, Des Moines, Iowa, 50392. If you have further questions regarding the Principal Managed Account Program SM, please call 1-800-547-7754.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the fund. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Investors Fund is distributed by and securities are offered through Princor Financial Services Corporation, 1-800-247-4123, member SIPC. Princor and Principal Life are members of The Principal Financial Group, Des Moines, IA 50392.

ATTACHMENT F

PERFORMANCE EVALUATION STANDARDS FOR PRESIDENT/CEO
2004-2005
PALM BEACH COUNTY CONVENTION & VISITORS BUREAU

EVALUATION INSTRUCTIONS

The performance of the President/CEO must be considered in relation to the mission of the CVB. Focus on the mission helps keep the inquiry on doing the right things, as well as doing the right things well.

I. Industry Performance Indicators

The role of the CVB, and more so the CEO, in affecting the tourism performance indicators is, of course, attenuated. However, these measures are useful in determining the results of all tourism marketing efforts, including those of the CVB, especially in relation to the results of competing destinations. They therefore are taken into account in considering the results of the performance of the President/CEO.

II. Areas of Activity

In evaluating the President//CEO's performance in the CVB's various areas of activity, the evaluator should consider the following questions:

- To what extent did the CVB achieve the referenced goals and the other goals for each functional area as stated in the Annual Marketing Plan or other document, including the stated Personal Performance Objectives (PPOs)? [PPOs are indicated in green. Goals stated in the CVB's contract are indicated in yellow. Other goals are included in the Annual Marketing Plan.]

- To what extent did the President/CEO demonstrate leadership and sound management practices in successfully directing and overseeing the referenced activities?

In determining a score for a functional area, if there is a stated specific goal, the evaluator should determine the actual performance as a percentage of the stated goal. (For example, 40,000 actual room nights against a goal of 50,000 room nights results in a score of 80%.)

If there is no stated specific goal, then the evaluator should rank the overall performance on the scale indicated below, so that inherently subjective criteria can be converted to objective ratings.

After a score is assigned to a functional area, the form automatically dervies a weighted score (thus reducing the opportunity for error and allowing the evaluator to concentrate on the evaluation and not the math).

III. Core Competencies

Part of the President/CEO's performance evaluation focuses on "core competencies" the skills, talents, knowledge, and attributes used to do the job. Typical core competencies for a CEO include industry knowledge, problem-solving skills, political skills, interpersonal and communication skills, and others.
The evaluator assigns a score to each of the five areas of core competency, in the form of a percentage, using the scale below.

SUMMARY FY 2005

Tourism Performance Indicators	3%
Groups and Meetings Hotel Program	15%
Groups and Meetings Conv. Ctr. Program	15%
Travel Trade (Tourism) Program	15%
Advertising and Public Relations Programs	15%
Convention Center Operations	5%
Strategic Planning, Innovation & Leadership	5%
Airport Service Expansion Program	2%
Administration	20%
Core Competencies	5%
	100%

RATING SCALE CHART
01-11-05-2

% of plan scale	Narrative	Academic Scale	1-10 scale
120%	Extraordinary	A++	10
115%	Outstanding performance	A+	9
110%	Exceeds expectations	A	8
105%	Well above plan	B+	7
100%	"At Plan" Stretch but achievable	B	6
95%	Approaching "stretch"	C+	5
90%	Adequate performance	C	4
85%	Below Standards	D+	3
80%	Well below standards	D	2
<80%	Failing performance	F	1

PERFORMANCE EVALUATION STANDARDS, WEIGHTS MEASURES FOR PRESIDENT/CEO 2005-2006

PERFORMANCE EVALUATION WORKSHEET	General Allocation	Specific Allocation
I. Performance Indicators	3%	n/a
A. Tourism Spending/Tourist Tax Collections		
B. Room Nights		
C. Average Daily Spending		
D. Average Daily Rate		
E. Occupancy Rate		
II. Area of Activity		
A. Sales and Marketing		
PPO: Continue to rebuild groups and meetings sales under hotel lead program and convention center sales program, with stretch but achievable goals and year-to-year improvement.		
1. Convention (Groups and Meetings) Sales Program	30%	
a. Hotel Lead Program		50%
b. Convention Center Sales		50%
2. Travel Trade (Tourism) Sales Program	15%	
a. Domestic		
b. International		
3. Media/Communications Program	15%	
a. Advertising		50%
PPO: Manage creation and implementation of creative and media plan conveying value, variety and affordability of Palm Beach County to leisure visitors and the travel trade, and branding Palm Beach County as a unique, exciting and affordable meeting destination, through of targeted and efficient advertising that is unique, persuasive, informative, and actionable.		
(i) Creative Plan		
(ii) Media Plan		
b. Public Relations and Communications		50%
PPO: Ensure public relations and communications support of Convention Center.		
(i) Media Relations		
(ii) Collateral Materials Design and Publicity		
(iii) Promotions, Events, and Programs		
(iv) CVB Internet Presence		
c. Event Marketing (Coop Advertising Program)		
4. Airport Marketing	2%	
(i) Service from New Carriers		
(ii) Service from New Markets from Existing Carriers		
(iii) Increased Traffic		
(iv) Increased Seats		
(v) International Promotion		
(vi) Publication of Flight Guide		

PERFORMANCE EVALUATION STANDARDS, WEIGHTS MEASURES FOR PRESIDENT/CEO 2005-2006

B. Convention Center Operations	10%	
1. Organizational Effectiveness (See Criteria under "Admin")		50%
PPO: Consolidate operations and continue to minimize operating deficit		
2. Financial Management (See Criteria under "Administration")		50%
C. Strategic Planning, Innovation, and Leadership	5%	
1. Creation of Annual Plan and Budget with		33%
b. Identification of Priorities		
c. Allocation of Resources to Priorities		
d. Coherent and Effective Theme and Message		
PPO: Integrate creation of Annual Marketing Plan and Annual Budget		
2. Creation of and Capitalization on Opportunities		33%
a. Creation of initiatives		
PPO: Provide leadership and support for construction of anchor hotel.		
b. Innovative Response to Changing Conditions		
3. Industry/Community Leadership/Partnerships/Alliances		33%
PPO: Serve as the "go to" person for the community of stakeholders on all industry issues for the industry, the Bureau and members; represent the County in industry leadership positions; maximize cooperative advertising efforts; and coordinate the Bureau's efforts with other agencies.		
a. "Go-to" Organization for Community of Stakeholders		
b. Leader in Industry (Visit Florida, Super Bowl, etc.)		
c. Coop Marketing Programs and Projects		
d. Cooperation with Other Agencies, Industry Associations		
e. Airport Service Expansion		
D. Administration	15%	
1. Corporate Culture/Organizational Effectiveness		5%
a. Service and Professionalism (Industry Awards)		
b. Employee Morale and Esprit de Corps		
2. Financial Management		25%
a. Budget Planning		
b. Budget Conformance		
c. Efficiencies		
d. Timeliness of Receipts and Payments		
e. Integrity and Accuracy of Transactions and Accounts		
3. Personnel Management		25%
a. Compensation Practices		
PPO: Institute new elements of Compensation Plan.		
b. Performance Management		
PPO: Institute performance management program in support of Compensation Plan.		
c. Training and Development		
d. Hiring and Termination		
e. Morale		
f. Turnover		
g. Policies/Employee Handbook Administration		
h. Benefits Administration		

PERFORMANCE EVALUATION STANDARDS, WEIGHTS MEASURES FOR PRESIDENT/CEO 2005-2006

i. Recordkeeping and Regulatory Compliance		
4. Purchasing/Supplier/Contractor Management		5%
a. Procurement and Contracting Procedures and Compliance		
b. Contract Administration		
5. Infrastructure		25%
a. Marketing Support		
1. Online Booking Engine		
PPO: Institute online travel services booking engine as determined feasible		
2. Inquiry Fulfillment and Telemarketing Services		
3. Consumer Research		
4. Convention Center Advertising Sales		
5. Collateral Materials Production		
6. Maintenance and Shipping of Collateral and Exhibits		
b. Information Technology and Voice Communication		
c. Work Environment		
6. Membership Support		5%
7. CVB Board Support		5%
8. TDC/BCC Relations and Support		5%
IV. Core Competencies	5%	
A. Communications & Interpersonal Skills		25%
1. Writing and speaking as effective spokesperson		
2. Group interactive skills that reflect social graces		
3. One-on-one discussion skills		
4. Mediation skills		
B. Organizational and Management Skills		25%
1. Effective time management and planning		
2. Effective management of day-to-day operations		
3. Effective response to new circumstances		
4. Effectively reports Bureau performance		
5. Employs "best practice" management practices		
C. Ficuciary Skills		25%
1. Adheres to Board policy in execution of Bureau's mission		
2. Ensures compliance with applicable laws and regulations		
3. Exhibits integrity and high ethical standards		
4. Exercises prudent financial management		
5. Monitors performance against plans and addresses deviations		
D. Critical Thinking Skills		25%
1. Develops and analyazes information to arrive at decisions		
2. Able to convert vision to concrete path for achieving it		
3. Demonstrates good judgment, well-considered decisions		
Draft 7 08-31-05		

ATTACHMENT G

PALM BEACH COUNTY CONVENTION & VISITORS BUREAU

FY 2007 GOALS AND OBJECTIVES

Exhibit "F"

Program Objectives for FY 2007

1.) Book 65,000 room nights not related to Convention Center
2.) Book 6,500 room nights related to Convention Center
3.) Maintain Occupany Rate at 72% or greater.
4.) Maximize Advertising Placement and Frequency to generate 317,027 inquiries.
5.) Maintain the number of wholesalers who feature Palm Beach County at 333.

Performance Measures	FY 2005 Actual	5 Year Trend	Benchmark Comparison	FY 2006 Budget	FY 2007 Target	
Wholesalers	331	-4.7%	n/a	333	333	
Advertising Inquiries	88,481	-7.1%	n/a	150,000	317,027	Note 1
Average Room Occupancy	76.0%	0.8%	n/a	72.0%	72.0%	
Booked Room Nights (Hotel lead program)	60,111	-19.4%	n/a	62,000	65,000	Note 2
Press Releases	45	5.3%	n/a	40	43	
Ciculation/Viewership (millions)	488.0	17.8%	n/a	400.0	750.0	
Convention Center Room Nights Contracted Only	4,753			6,000	6,500	Note 2
Convention Center Rental Revenues	$ 1,665,962	n/a	n/a	$ 1,663,250	$1,619,195	Note 3
Convention Center F&B Revenues	$ 423,946	n/a	n/a	$ 750,000	$ 598,000	Note 4

Note1: Mail and phone inquiries have been declining because of transfer to web. For FY 2007, a new baseline is being established that utilizes the traditional phone/mail inquires, along with a consistent method of tracking web inquires.

Note2: Room night goals based upon current assumptions. Goals may be moved up or down during the fiscal year in order to maintain the "stretch but achievable" incentive program.

Note3: Budgeted rental revenues for the Center. Internal goals will likely be different for the same reason as stated in Note 2.

Note4: Total F&B revenues for the Center. Sales goals for CVB staff are a component of that.

APPENDIX D:

Tourist Development Council: An Operational Review of Contract Administration, dated August 2007

Office of Financial Management & Budget

Tourist Development Council:

An Operational Review of Contract Administration

(Project No. 2007-M-02)

This document is the result of a collaboration between the Tourist Development Council and the Office of Financial Management & Budget, Financial Management Division

AUGUST
2007
OFMB

Tourist Development Council:

AN OPERATIONAL REVIEW OF TDC CONTRACT ADMINISTRATION

(Project No. 2007-M-02)

Lead Project Consultant - William Brown
Director, Financial Management Division - Walter K. Munchheimer
OFMB Director - Richard Roberts

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Factual Profile

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How Tourist Development Tax Proceeds are Used 10

Findings and Recommendations

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Appendix 28

Executive Summary

Report Highlights . . .

Our review of the Palm Beach County Tourist Development Council found that:

- ☑ ***The role of TDC is not well understood, even among the principal tourism development agencies***
- ☑ ***TDC is generally effective at monitoring contract activities, but its oversight could be made even more relevant***
- ☑ ***The contract tourism agencies create annual marketing plans without the benefit of an overall strategic plan to provide guidance***
- ☑ ***In its current form, the Tourist Development Plan does not function as a true strategic plan***
- ☑ ***TDC Administration provides limited guidance in the development of program performance measures***
- ☑ ***There is no single "best" way to structure tourism development programs; numerous organizational models exist in the US***
- ☑ ***It is difficult to determine how effective TDC is at maximizing the county's annual investments in tourism promotion.***

Promoting tourism is significant work in a community that depends on its tourist economy to the extent that Palm Beach County does. Tourism conservatively accounts for some $2.83 billion of the area's economy.[1] For many years, the Board of County Commissioners (BCC) has actively supported and promoted the county's tourism industry by funding a variety of niche organizations to market the county as an attractive place to vacation, hold conventions and other events, and experience the arts and cultural pursuits. For the past twenty-five years, Florida's Local Option Tourist Development Act has been instrumental in that effort by providing for a dedicated local funding source commonly referred to as the "bed tax." In 1982, Palm Beach County enacted its first tourist tax, and created a Tourist Development Plan (the Plan) for spending the revenues generated by the tax. In the current year, that amounts to an estimated $26 million.

At the outset of the program in 1982, the BCC established a Tourist Development Council (TDC) to implement the Plan through an Executive Director and outside private, non-profit tourism organizations, acting under contract to the county. That service delivery arrangement continues to the present. The TDC Executive Director and his staff (TDC Administration) provide contract oversight of the agencies funded by the bed tax, and act as liaison between the funded agencies and the TDC Board, county administration, and BCC.

At the request of the BCC, the Management and Program Analysis Section (MPA) of the county's Office of Financial Management and Budget conducted an operational review of the effectiveness of TDC Administration's contract oversight responsibilities. MPA manager William Brown III was the lead consultant assigned to the project. This report contains the results of that review, in the form of findings and recommendations.

The study focused on contract obligations imposed both on the contract agencies and on TDC itself, and examined the practices employed by TDC Administration in carrying out the oversight duties stipulated in those contracts between the agencies and the county. To aid in the analysis, the major requirements of each contract were categorized according to four evaluation criteria devised specifically for this project: 1) reporting, 2) financial accountability, 3) performance accountability, and 4) operational oversight. Examining the business operations and service delivery plans of the contracted tourism development agencies themselves was outside the scope of the assignment, so no conclusions have been drawn concerning performance at that level.

The principal conclusion drawn from the study is that TDC Administration is generally fairly good at monitoring the four tourism development agencies for

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1 *City Tourism Impact: The Economic Impact of Travel & Tourism in Palm Beach County, Florida*, prepared by Global Insight, Inc., September 2005, pg. 4.

conformity with their contract obligations. In some instances, that oversight duty is dependent on self-monitoring and reporting by the contract agencies themselves; the small size of the TDC staff limits its capacity to directly and independently verify contract performance in every instance. On balance, the study team found that TDC Administration is generally effective in its oversight duties, but that its tendency to be a reactive force has also limited its contributions somewhat in three respects: 1) in formulating integrated tourism development strategies among the contract agencies, 2) in promoting program performance measures that give better insight into the efficiency and effectiveness of programs of the tourism agencies, and 3) in issuing guidelines to the contract agencies addressing key business practices.

To address the study team's findings, five specific recommendations have been offered:

- That TDC refine its mission statement and develop operational objectives that more fully define and better communicate its purpose;
- That TDC Administration issue guidelines that set standards for financial accountability and program evaluation;
- That TDC develop an overall, integrated strategy to guide annual planning and delivery of tourism development activities under its authority;
- That TDC Administration take a more active role in development of tourism agencies' performance measures;
- That TDC Administration conduct structured annual reviews of tourism development agencies' operating procedures.

Tourist Development Council: An Operational Review

An evaluation of the organizational roles, responsibilities, and contractual relationships of the Tourist Development Council

The purpose of this report is to provide the Board of County Commissioners, county administration and management of the Tourist Development Council (TDC Administration) an assessment of the effectiveness of TDC Administration's oversight of county tourism development programs. References to TDC Administration throughout this report are to the staff operations of the department, and not to the TDC Board.

PROGRAM AGENCIES
1 Convention and Visitors Bureau
2 Cultural Council
3 Film & TV Commission
4 Sports Commission

The study focused on the practices employed by TDC Administration to provide oversight over the formulation and implementation of tourism development programs funded by Palm Beach County government. These programs are carried out by a group of four non-profit agencies (tourism development agencies), acting under contract to the Board of County Commissioners. Specifically, the study team was asked to do the following:

- Examine the contractual obligations of the tourism development agencies;
- Report on the methods and procedures employed by TDC Administration to monitor compliance by the tourism development agencies with their contractual obligations;
- Identify operational practices and conditions which impede the monitoring process;
- Document the ways and means by which TDC Administration ensures the financial and performance accountability of the four tourism development agencies.

The methodology of the operational review was designed around the active participation of all of the principal parties involved, including the TDC Executive Director and the senior executive officers of each of the four tourism

development agencies. Beyond that, the study team was requested to survey similar tourism promotion programs around the country to identify prevailing practices in other communities.

To understand what obligations each of the four tourism development agencies is under in respect of its work on behalf of the Board of County Commissioners, we examined all of the agreements between the county and the tourism development agencies covering the current fiscal year period.

To learn what methods and procedures TDC Administration uses to monitor compliance by the tourism development agencies and to identify operational practices which impede the monitoring process, we interviewed the TDC Executive Director and staff, the TDC Board (except Commissioner Addie Greene and Mami Kisner, who were unavailable at the time of our interviews) and the management at each of the tourism development agencies. The major requirements of each contract were categorized according to a system of four evaluation criteria which the study team devised specifically for this assignment: 1) reporting, 2) financial accountability, 3) performance accountability, and 4) operational oversight. We were particularly interested in understanding the extent to which TDC Administration sets goals and measures progress toward meeting those goals for each of the tourism development agencies. The study team also wanted to review any guidelines issued by TDC Administration for evaluating programs of the tourism development agencies, however TDC Administration has not issued any such guidelines. Table 1 on the following page summarizes the methods and procedures stipulated in tourism agency contracts allowing for TDC oversight and interaction with the four tourism agencies.

To understand how TDC Administration goes about ensuring the financial and performance accountability of the tourism development agencies, we reviewed numerous reports prepared by or for TDC Administration, covering a range of financial and performance indicators. The study team wanted to examine any policy guidelines issued by TDC Administration addressing financial accountability practices as a basis for assessing how well it was meeting a financial accountability oversight duty. However, no guidelines of that sort have been issued. Various recent reports by the Internal Auditor and County Clerk & Comptroller on issues related to contract performance and accountability were reviewed for background and additional insights. The study team also reviewed the principal roles and responsibilities of the employees of the Tourist Development Council.

To understand the organizational relationships that exist between TDC and the tourism development agencies—and among the four tourism development agencies—senior executives of TDC and of each of the tourism development agencies were interviewed concerning their views of those relationships. Responses from the individual tourism development agencies were compared against each other to identify common themes, and were compared against TDC Administration's perspectives on the same range of issues described by the tourism development agencies. In this manner, the principal parties themselves identified the issues they believe most directly affect their working relationships, both favorably and unfavorably.

Finally, to learn how other similar agencies around the nation approach tourism promotion and to contrast their practices and organizational structures with what exists in Palm Beach County, we surveyed tourism departments in Florida and elsewhere.

Examining the individual business operations and service delivery plans of the tourism development agencies themselves was outside the scope of this assignment, so we have drawn no conclusions about performance at that level.

TABLE 1

Methods and Procedures Specified in Agency Contracts For Guiding TDC Monitoring Activities

Reporting

1. Economic impact of activities or events report
2. Tourism marketing or audience survey report
3. Semi-annual County Administrator's performance report
4. Small Business Enterprise use report
5. Annual independent financial audit
6. A narrative report describing upcoming events

Financial Accountability

1. TDC input into the development of tourism agency's annual budget
2. TDC ongoing monitoring of the tourism agency's budget
3. TDC ongoing monitoring of tourism agency's Marketing Plan
4. TDC monitoring of Convention Center rate structure deviations and revenue generation
5. TDC review and authorization of agency invoices
6. TDC review and approval of contracts
7. TDC review or audit of documents, papers, records, etc.

Performance Accountability

1. TDC review of agency performance to contractual obligations
2. TDC input into the development of tourism agency's performance measures and objectives
3. TDC review and monitoring of agency performance measures and objectives accomplishment
4. TDC input into the development of tourism agency's contractor and grantee evaluation criteria
5. TDC review and monitoring of an agency's contractor and grantee performance

Oversight

1. TDC input into the development of tourism agency's operating guidelines, policies, and procedures
2. TDC input into operational direction and guidance of the tourism development agencies
3. TDC input into the development of tourism agency's Marketing Plan
4. TDC staff interaction with tourism development agencies to insure agency activities conform to agency's Annual Marketing Plan
5. TDC Strategic Planning with the tourism development agencies
6. TDC coordination of tourism agency's activities to the benefit of tourism promotion and rate of return on tourism activities
7. TDC provision of managerial, administrative and policy making oversight to the tourism development agencies
8. TDC participation in the tourism development agencies board meetings

Factual Profile

TOURIST DEVELOPMENT PLANNING AND GOVERNANCE

Florida's Local Option Tourist Development Act (Chap. 125.0104, F.S.) authorizes counties, by referendum, to impose a tax of up to five percent on rentals of tourist accommodations. The Tourist Development Tax is in addition to sales tax, and is commonly referred to as the "bed tax." In 1982, Palm Beach County adopted Ordinance No. 82-15, enacting a two percent tourist tax, along with a Tourist Development Plan for spending the revenues from the tax.[2] Seventy percent of the revenues were reserved for promoting Palm Beach County tourism (referred to as Category A), and thirty percent of the revenues were designated to fund arts and cultural activities that promote tourism (Category B). Since 1982, the county's tourist development tax ordinance has been amended several times and, in late 2006, the bed tax was raised to its current level of five percent. The fourth cent, enacted in 1994, was designated to pay the debt service on bonds issued to finance the construction of either a professional sports franchise facility or convention center; the fifth cent is for expansion of related facilities.

As required by the Local Option Tourist Development Act, the Board of County Commissioners established an advisory body, to be called the Tourist Development Council (TDC Board), and appointed its initial members. By resolution, the Board of County Commissioners also established that the TDC Board would administer the Tourist Development Plan contained in the ordinance through an Executive Director and outside contractors. The function of the nine-member TDC Board is to prepare and submit to the Board of County Commissioners a plan for local tourism development, including the approximate cost or expense allocation for specific projects or special uses. The roles and responsibilities of all of the parties are specified in the annual bilateral agreements between the TDC and the four tourism development agencies funded through the bed tax. Each of those non-profit tourism development agencies took part in this study. The four tourism development agencies are Discover Palm Beach County, Inc. (operating as the Palm Beach County Convention and Visitors Bureau, CVB), the Palm Beach County Cultural Council (Cultural Council), the Palm Beach County Film and Television Commission, Inc. (Film & TV Commission), and the Palm Beach County Sports Commission, Inc. (Sports Commission). Each of the tourism development agencies is governed by its own board of directors.

TDC has a staff of four county employees, the Executive Director, a Financial Analyst III, an Administrative Assistant, and a Secretary. The existing table of organization is shown in Figure 1 on page 7. The principal roles and responsibilities of individual TDC employees are described later in this section of the report.

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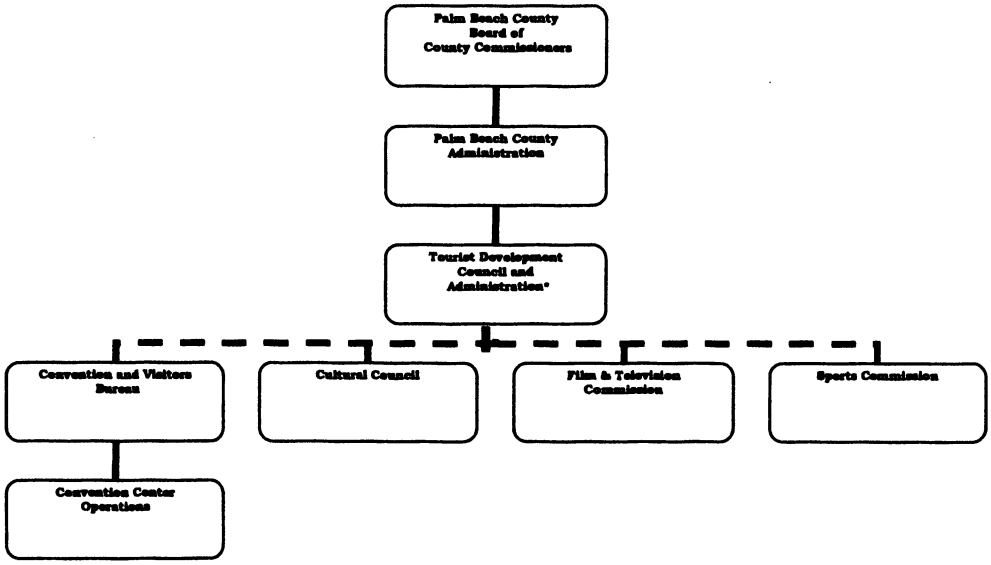
2 The ordinance was codified in the Palm Beach County Code at Chapter 17, Article III, *Tourist Development Tax*, §§17-111 et seq

FIGURE 1

Tourist Development Council Organization Chart



The relationship between TDC, a county department, and the four tourism development agencies (including the Convention Center) is defined through the annual master agreements the county maintains with each of the tourism agencies. At the time of report publication, operation of the convention center was under the direction of CVB, an arrangement that will end on October 1, 2007, when the county assumes direct control of the facility.

The specific marketing activities undertaken on behalf of the Board of County Commissioners' tourism promotion funding each year are largely under the control and preferences of the individual grantees, the four tourism development agencies. All of the principal parties consulted for this study indicated that there is some degree of interaction which accompanies the planning process, but that the plans which emerge from that process are those of the four individual tourism development agencies; no overall tourism development or marketing plan forms the basis for an integrated set of policies to guide the individual grantees. Similarly, TDC Administration does not set, nor require tourism development agencies to develop, performance measures that indicate whether tourism agency program objectives are being achieved.

Recent Developments in Governance

Earlier this year, shortly before the MPA Section began this assignment, the TDC Board created several new advisory committees to address perceived deficiencies in the delivery of tourism promotion services funded by the county. To bring better oversight to financial accountability business practices, the TDC Board created a new Audit and Finance Committee. To bring more cohesiveness to the marketing of tourism, the TDC Board created a Joint Marketing Committee, and

a new Special Projects Committee was formed with representatives of all four tourism development agencies to advise the TDC Board on extraordinary promotion opportunities. At the time that field work for this study was underway, these new committees were in the process of being formed, holding first meetings and developing mission statements.

The Joint Marketing Committee was formed for the purpose of developing co-marketing initiatives. Its membership consists of the chief marketing officer of each of the tourism development agencies. The senior executive officers of all four tourism development agencies are also members, but are not normally expected to meet unless a high profile issues requires their attention. The TDC Executive Director will be the committee chair. The committee will initially be scheduled to meet every two months, but can meet as often as deemed necessary. At the time of publication of this report, the committee had met one time. According to the TDC Executive Director, the mission of the Joint Marketing Committee is the following:

> The TDC Marketing Committee will meet periodically to discuss common promotional opportunities that all or several of the TDC agencies may work on together. The committee will also determine what marketing resources can be shared between the agencies to maximize effort and lower costs. The committee may also meet to address any unusual marketing problems that may occur, such as the aftermath of a hurricane, economic downturn, airline problems or a major flood or beach event.

The Audit and Finance Committee was established to provide a layer of pre-approval for financial information concerning the four funded agencies. Committee members include the TDC Executive Director and Financial Analyst III, three TDC Board members and the Deputy County Administrator. The county's Internal Auditor will augment the membership when audits are being reviewed. To date, the committee has met one time. The TDC Executive Director described the purpose of the new Audit and Finance Committee as evaluating changes in financial systems and controls, the overall condition of financial records, the adequacy of resources committed to accounting and financial controls, major financial risks faced by the organization and the appropriateness of related controls intended to minimize those risks. The following are the core finance functions of the committee:

- Insures adequate funds are available for the overall organization
- Safeguards organizational assets
- Drafts organizational fiscal policies
- Anticipates financial problems
- Ensures the board receives accurate and complete information
- Helps the rest of the board understand financial statements and the general financial situation of the organization
- Review financial statements

The principal audit focus of the committee includes the following:

- Review annual audits and management letters and staff responses to audit comments
- Changes in accounting policies
- Methods used to account for unusual or particularly significant transactions
- Management estimates or judgments that have had a significant effect on financial statements
- The reasonableness of those estimates and judgments
- Significant transactions with related parties
- Review any control weaknesses detected in the prior year's audit, and determine whether all practical steps have been taken to overcome them
- Assess whether appropriate assistance is being provided to auditors by the organization's staff.

The Special Projects Committee will meet as deemed necessary to review applications for special projects' and events' funding not associated with the four county-funded tourism development agencies that offer the prospect of generating tourism room nights, or of generating national publicity for the county. The committee will make recommendations concerning such projects or events. As of the publication of this report, the committee had met 6 times.

THE FORMAL MISSION AND RESPONSIBILITIES OF TDC

TDC's adopted mission statement, as described in the FY 2007 Annual Budget book, is the following:

> "To promote the tourism industry in Palm Beach County and use tourism development tax dollars to generate the maximum return."

In the FY 2007 Annual Budget, TDC describes its services as "oversees the functional operations of four (publicly funded organizations)." How it accomplishes that task—and its broader mission generally—is not further described, and the only measure of performance given for TDC is "bed tax revenues."

The TDC Executive Director provided the study team with a listing of the principal activities carried on by individual staff members in support of TDC's organic oversight function. As would be expected, the two professional staff positions have the majority of interaction with the tourism development agencies, and share all of the substantive oversight tasks. Table 2 summarizes the division of responsibilities among TDC staff.

TABLE 2

Principal Substantive Oversight Tasks Performed by Staff of the Tourist Development Council Administration

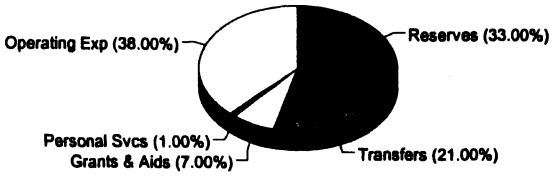
Executive Director

1. Reviews/proposes specific revisions to each contract agency's guidelines, policies and procedures
2. Reviews/recommends re; grant applications
3. Reviews impact on tourism by contract agency
4. Consults in creation of tourism development agencies' annual marketing plans; reviews/modifies as needed
5. Monitors operation/activities of tourism development agencies to ensure compliance with agencies' own marketing plans and contract performance

Financial Analyst

1. Assists in development of tourism development agencies' annual budgets; reviews/approves the same
2. Reviews financial performance of tourism development agencies monthly
3. Reviews operational performance of tourism development agencies semi-annually
4. Reviews the annual audits of tourism development agencies prepared by external auditors
5. Reviews purchase invoices/authorizes payments consistent with annual marketing plans and budget
6. Reviews purchase activity for conformity with county purchasing guidelines

HOW TOURIST DEVELOPMENT TAX PROCEEDS ARE USED



The tourism tax is presently forecast to raise nearly $26.0 million in fiscal year 2007. Together with prior year carryover funds, the total operating budget of TDC for FY 2007 is an estimated $54.0 million.[3] These funds have been allocated as shown in the chart at left, to cover personal services, operating expenses, tourism promotion grants, transfers and reserves. Of the total annual budget, the four tourism development agencies will share $14.26 million; the individual grants to each of the four tourism development agencies are shown on Table 3 on the following page, together with pertinent information about the respective grantees. An additional $8 million is budgeted for convention center debt service, special projects and beach re-nourishment.

The distribution of programming funds among the four tourism development agencies is set by policy of the Board of County Commissioners, reflecting the relative priorities for the missions of the four funded agencies. Under established policy, each of the agencies is awarded a budgeted amount based upon a pre-set percentage allocation of the tax proceeds anticipated for the upcoming year, rather than on the specific programming plans of the contracted agencies for the new year.

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[3] Mid-year budget assumptions have revised the original FY 2007 revenue forecast upward from $23.9 million (8.8%); total budget appropriation estimates were increased from $47.8 million (12.9%).

TABLE 3

Tourism Development Agency Missions and Program Funding (Fiscal Year 2007 Budget)

Agency	Agency Mission	Budget	Allocation Percent
Convention and Visitors Bureau	The mission of the Palm Beach Convention & Visitors Bureau is to increase the direct and indirect economic impact of every type of visitor to Palm Beach County by promoting tourism and filling the Convention Center with high value business resulting in job creation and enhanced quality of life for Palm Beach County residents.	$ 8,809,182	62%
Cultural Council	The mission of the Palm Beach County Cultural Council is to enhance the quality of life by creating a cultural destination through support, education and promotion of arts and culture within Palm Beach County.	$ 3,670,316	26%
Film and Television Commission	The Palm Beach County Film & Television Commission's mission is to generate a positive impact on business tourism and the economy in Palm Beach County through the growth of the film, television and still photography industry by attracting on location production and providing services to both the visiting and the indigenous production community.	$ 639,167	4%
Sports Commission	The Palm Beach County Sports Commission is a private, non-profit organization committed to enhancing the quality of life through sport. Contracted by Palm Beach County to: a) promote and market Palm Beach County to bring sporting events and activities to the County, b) enhance economic impact, c) maximize utilization of our facilities, d) stimulate bed tax revenues primarily in the off-season, and e) foster and support grassroots sports development.	$ 1,141,369	8%
		$14,260,034	100%

Sources: (1) Palm Beach County FY 2007 Annual Budget; (2) Annual marketing plans of tourism development agencies; (3) personal communication from James A. Stuber.

Findings and Recommendations

The preceding sections of the report focused on relevant portions of the TDC mission statement, viz., the operational roles and responsibilities of TDC "to promote the tourism industry in Palm Beach County," and TDC's oversight responsibilities via its contractual obligations with the tourism development agencies to "use tourism development tax dollars to generate the maximum return."

This part of the report is divided into two sections—Study Findings and Observations, and Recommendations. As appropriate, analyses of the issues are included in both of these sections.

STUDY FINDINGS & OBSERVATIONS

As said earlier, the study team devised a system of four evaluation criteria by which to assess how the contractual obligations of the tourism development agencies are monitored by TDC Administration to ensure compliance with those obligations. The four categories are: 1) reporting, 2) financial accountability, 3) performance accountability, and 4) operational oversight. Throughout this section of the report, verbatim contract provisions relating to each of the four evaluation criteria are reprinted in the left margin to acquaint readers with the specific obligations imposed on the tourism development agencies, which also form the basis for contract performance oversight by TDC Administration.

The following specific findings and observations describe the study team's conclusions and are the bases for recommendations that follow later in the next section of the report. The consultant's findings were arrived at independently by following the study methodology described earlier in this report. However, they are frequently supported by a high degree of consensus among senior executives of the four tourism development agencies whose input was extensive.

The role of TDC is not well understood, even among the principal tourism development agencies; this may be partly because TDC Administration does not use its full authority in some aspects of its dealings with those agencies

There are Reporting Requirements in every Agency's Contract

"...agency shall provide certain reports to TDC on a regular basis. These reports shall consist of (1) monthly...summary of duties... performed pursuant to this Agreement (2) semi-annual reports (3) any other reports...requested by TDC's Executive Director that relate to the duties and responsibilities of the agency under this Agreement."
—Film and TV Commission contract, 9/12/2006, section 5, pg 6

By design, the individual tourism development agencies took an active part in this project, as did the TDC Executive Director and his staff. The project consultant wanted to know how the principal parties regarded their basic working relationships with each other, and where each saw opportunities for improvement. What we found was a considerable degree of consensus on many issues. On the foundational question of how effectively TDC Administration defines its role through its actions, there was some ambivalence. In part, the tourism development agencies expressed some resistance to TDC Administration acting beyond a purely reactive monitoring role. Some outright questioned the value of TDC. The study consultant encountered a range of viewpoints among the four tourism development agencies, questioning whether TDC should serve merely as a

high-level monitor of their marketing plans and financial oversight, or whether it should be more strategically involved; whether it should have more of a legislative role, versus that of collaborator, partner and enabler; whether its biggest value should be as a clearinghouse for information and referrals. TDC is not currently viewed as a policy- or strategy-oriented, coordinating force for tourism development in the county. A common theme was heard that there is a need to determine ways to stay ahead of the competition—to set Palm Beach County apart—in an industry competing to attract a finite number of events and travelers.

In practice, TDC operates largely as a monitoring and administrative entity. While some aspects of the TDC:agency contracts are thoroughly monitored, the study found others that were less well realized. As discussed below, these include 1) TDC Administration input into the *development* of evaluation criteria for tourism agency: contractor and tourism agency:grantee contracts, 2) TDC Administration participation in the *monitoring* and *evaluation* of the contractors and grantees themselves, and 3) TDC Administration *verification* that agency contract requirements for a host of procedural conditions are met.[4]

Agency Contracts Assume Broad Policy and Procedure Guidance by TDC

"In accordance with guidelines, policies and procedures adopted... by TDC, agency shall solicit, receive and review applications for grants for cooperative marketing activities."
—Sports Commission contract, 9/12/2006, section 1, pg 8

"Agency in consultation ...TDC, shall develop evaluation criteria, monitor and evaluate the performance of all ...contractors."
—CVB contract, 9/12/2006, section 4, pg 9

Not all promotion programming is carried out directly by the four tourism development agencies. These agencies also sub-contract individual activities and events to other contractors. The acting director of CVB reported that TDC Administration does not provide input into development of contractor evaluation criteria, but that TDC management approves the contract requests-for-proposals, which include evaluation criteria. Also, the TDC Executive Director sees agency contracts through his attendance at agency board meetings and through the monthly agency head meetings he conducts. In these ways, TDC Administration fulfills its responsibility for monitoring contractors, if somewhat indirectly. However, this approach makes it difficult for TDC Administration to verify the accuracy of the contractor's performance and its contribution to the TDC mission. The evaluation criteria for agency contractors does not focus on either customer satisfaction or the efficiency of services (rate of return) provided by tourism agency contractors.

TDC Administration's input into the development of evaluation criteria used for grantees is limited. The Cultural Council's Executive Director indicated that her agency uses a global definition of evaluation criteria for grantees. All grantee contracts require quarterly reporting on performance and program achievement. The quarterly evaluation of the grantees is not provided to TDC. However, at the monthly agency head meetings with the TDC Executive Director, the Cultural Council's report includes any grantees that are under-performing. In this manner, TDC Administration monitors grantee performance, to the extent that the tourism development agencies voluntarily share such information. Also, annually the Cultural Council reviews the

[4] Principal among the issues cited by the tourism development agencies were requirements for number of quotes, number of mailings, amount of advertising, and use of vendor lists.

grantees' final report to gauge whether the grantee actually accomplished what it had indicated in its application. At this point, audience survey data are also presented and reviewed by the TDC Executive Director. The Cultural Council's director indicated that the TDC Executive Director is most involved during the analysis of grantee audience survey results.

Agencies Have a Duty to Keep TDC Administration Well Informed and to Open Themselves to Examination

"...agency shall continuously keep the Executive Director of TDC fully informed as to all activities of...agency so as to enable the Executive Director to effectively provide overall direction and guidance...."
—Film and TV Commission contract, 9/12/2006, section 2, pg 6

"...agency shall maintain and preserve the records, books, documents, papers and financial information pertaining to the work performed....Agency agrees that County...shall have access to and the right to examine any pertinent books, documents, papers and records...."
—Cultural Council contract, 9/12/2006, section 36, pg 24

"At least once a year, ...agency and TDC shall review the guidelines, policies and procedures to determine if they are consistent with the County's objective and will accomplish their intended purpose."
—Cultural Council contract, 9/12/2006, section 3, pg 5

TDC Administration obtains verbal assurances that the agencies are following contract requirements. TDC Administration may conduct spot checks to confirm, but agencies are not required to physically prove every contract requirement prior to purchasing materials or contracting services. For high cost, major bids and contracts, TDC Administration physically verifies that contract requirements are satisfied. TDC Administration reviews the annual Small Business Enterprise report for required contract compliance; however it is difficult to verify the report's accuracy. To monitor for contract adherence, activities such as checking the number of ads placed by the agency, the use of vendor lists, etc. may be too onerous for the time involved and the small staff size at TDC; however, these requirements are featured in the tourism agency contracts, and TDC's steps to verify and monitor contract compliance lack a high degree of certainty. Because of the small staff size at TDC, the Executive Director relies heavily on professionally-managed agencies.

TDC Administration is generally effective at monitoring activities of the tourism development agencies, but monitoring could be improved if it issued internal guidelines covering key business practices and it conducted annual reviews of tourism development agencies' operating procedures, as required by their contracts

The majority of interaction between TDC Administration and the four tourism development agencies indicates that, in practice, TDC operates largely as a monitoring and administrative entity. It receives a variety of activity reports from the tourism development agencies on matters ranging from performance reports, financial audits, and monthly narratives describing upcoming events, to marketing and economic impact reports and various operating statistics. Agency head meetings are convened each month and provide a face-to-face forum for reviewing current events and activities. Our study found that TDC staff regularly review payment invoices submitted by the tourism development agencies for supporting documentation and for consistency with the agencies' respective marketing plans and conformity with their county contracts and state statute. The staff Financial Analyst conducts other standard pre-audit steps by reviewing invoices against budget availability and year-to-date expenditures for the appropriate accounts. Because of the potential for abuse, travel and entertainment expenses are said by TDC management to receive added scrutiny prior to their approval. A travel and entertainment policy is incorporated into each tourism development agency's contract.

In similar fashion, payroll records of the tourism development agencies are reviewed by TDC staff before payroll reimbursements can be authorized. For grant reimbursements, grantee invoices are checked by TDC staff to ensure that requested amounts and invoiced services are in line with what is contemplated by the agencies' marketing plans.

The study consultant reviewed samples of procurement transactions and found that supporting documentation is maintained on file with the originating tourism development agencies, and not with TDC. TDC Administration has access to such documentation at all times, made easier because all of the parties are located together in the same building in downtown West Palm Beach.

TDC staff provides budget development guidance and ongoing budget monitoring to the funded agencies. Budget development guidance includes budget inputs for salary and benefits, along with input into new staff positions that are requested by the funded agencies. Also, during the budget development process, the estimated tourist tax revenues are provided to each agency so that they have an estimate of the amount of bed tax funding the County will provide each agency. Once each funded agency receives the bed tax revenue projections, detailed line item budgets are prepared by the agencies. Each funded agency submits its line item budget for TDC Administration review. Any line items that vary significantly from previous years require an explanation.

Budget reviews are largely concerned with whether the agencies' budgets fall within bed tax estimates supplied to them. There are some ties between the annual budget, the marketing plan and performance, but TDC Administration's limited input into the tourism development agencies' budgeting process does not formally guide the alignment of budgets to marketing plan outcomes or to overarching tourism objectives. Budgets are monitored regularly, resulting in weekly reports prepared by TDC staff and submitted to each tourism agency. The weekly report is a year-to-date summary of expenditures, revenues and purchase orders. The agencies are expected to use these reports in their own self-monitoring efforts to make sure their accounting numbers align with the county's records, and to alert TDC Administration to discrepancies.

Each of the tourism development agencies is responsible for annually contracting an independent audit firm to review the agency's finances. The individual audit results are presented to the agency's governing board and submitted to the Executive Director of TDC, who may request clarification on, or response to, audit findings. Historically, the audit reports have not been formally presented to the TDC Board.

Together, these actions comprise the heart of TDC Administration's monitoring of the tourism development agencies' financial accountability to the county throughout the year, and they generally provide a reasonable assurance that the money invested in tourism promotion was spent as intended. Table 4 summarizes the study team's assessment of TDC oversight functions, expressed in terms of the system of four evaluation criteria described earlier in this report.

TABLE 4

The Level of Effort Expended by TDC Administration on Oversight Activities is Good, But the Relevance of Its Efforts Could Be Improved

	Frequency			Relevance		
Evaluation Criteria	Low	Mod	High	Low	Mod	High
Reporting			●		●	
Financial Accountability			●		●	
Performance Accountability		●		●		
Operational Oversight		●			●	

Key: Mod = moderate

The TDC Executive Director indicated that, in lieu of direct input into policy and procedure development, he reviews policy and procedure changes during annual contract reviews, especially pertaining to new staff positions. In three important respects, the study team believes that additional actions on the part of TDC management would make its oversight more robust and effective:

- Issue internal guidelines to set standards in matters of 1) financial practices and controls, 2) use and selection of outside contractors, and 3) program evaluation and reporting. TDC Administration monitors for some of these conditions; at the time of publication of this report, however, TDC Administration had issued no Policy and Procedure Memoranda providing guidance for the handling of these operational areas.[5]

Performance Reports are Required in every Agency's Contract, as are Annual Performance Reviews by TDC Administration

"...agency shall provide monthly reports to TDC on attainment of the performance measures attached hereto...."
—Film and TV Commission contract, 9/12/2006, section 1, pg 5

"The Executive Director of TDC will prepare...an annual evaluation of the...agency performance of its duties under this Agreement."
—Film and TV Commission contract, 9/12/2006, section 6, pg 12

Clear guidelines on financial accountability are key in any program that spends more than $14 million of public funds annually through third parties. The TDC Executive Director has acknowledged that annual financial audits by independent audit firms failed to uncover lax controls and financial improprieties in the past, notably at CVB. A well-crafted set of guidelines on financial practices would set standards, convey expectations, define monitoring actions to be taken by TDC staff, and specify sanctions for violations.[6]

In the case of outside contractors, TDC staff is involved in the approval of individual requests for proposals, as more

[5] Purchasing guidelines and salary policy are included in each tourism development agency's contract. Other exhibits to those contracts include: moving expense policy; travel and entertainment policy; and Small Business Enterprise policy.

[6] Recent action of the TDC Board to establish an Audit and Finance Committee is further recognition of the need for a clear financial management policy which can, among other things, guide the work of external auditors hired by the individual tourism development agencies, and help ensure that annual audit reports all address key baseline issues in a consistent fashion.

fully described in an earlier finding. But here, too, issuing guidelines can minimize the effort involved in after-the-fact review. Among valuable elements that we believe should be included are the existing county requirements concerning sole source selections and rotation of contractors, as well as the participation on consultant selection panels of appropriate county staff with relevant subject matter expertise.

The purpose for issuing guidelines on program evaluation is so that the parties will know in advance how their annual work programs will be evaluated. To accomplish that, such guidelines must minimally specify 1) the creation and use of meaningful goals and targets for all significant programs in the agencies' marketing plans, 2) what types of data are to be reported and on what schedule, 3) how data validation and accuracy are to be assured, and 4) how the annual marketing plan and overall strategic plan have been advanced by each program, all in order to document how well individual programs met the target expectations set for them. Performance measures already exist as part of each tourism development agency's annual contract; what is lacking are TDC guidelines required to bring a degree of consistency to the process and to increase the relevance of the data reported, thereby improving evaluation across programs and agencies.

- Measure results. Measuring and monitoring outcomes of expended funds is the only way to determine whether those funds were efficiently used and whether their use in a particular manner led to an effective result. Measuring results is an integral part of program planning, about which more is written in the three findings which follow below.

- Conduct annual reviews of agencies' operating policies and procedures. Three of the four tourism development agencies have their own internal written operating guidelines containing policies and procedures.[7] TDC Administration has little to no input into the development of the tourism development agencies' operating guidelines, policies and procedures. One of the agencies observed that TDC Administration does not develop guidelines for use at the operational level of the contract agency because that responsibility is regarded as the prerogative of the contract agency's governing board. The TDC Executive Director does review policy and procedure *changes* during the annual review of agencies' contracts with the county. Broadening that annual review by establishing a formalized examination of all of the tourism development agencies' policies and procedures for consistency with state, county, and TDC Board guidelines would serve a helpful verification purpose.

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[7] Except for CVB, all of the tourism development agencies provided the project consultant copies of their policy and procedure manuals; CVB supplied its employee handbook. Included in each operating manual are chapters on financial accountability, though each of the three affected agencies has somewhat different rules on the subject. The Film and TV Commission's manual outlines extensive financial policies and procedures, with provisions devoted the agency's checking account, in-kind contributions, expenditure approval process, payment eligibility, periodic reporting, and even contains a flow diagram of its financial processes. The Sports Commission's operations manual has four sections devoted to finance. The Cultural Council's manual contains a chapter devoted to a code of ethical conduct.

The tourism development agencies have their own views on TDC oversight, and they see it somewhat differently. The agencies are resistant when TDC Administration moves beyond a purely monitoring, reactive, administrative role. We believe that this resistance stems, in part, from a perception that TDC Administration adds little value in the role of proactive, managing leader. This contributes to the ambiguity with which the tourism development agencies view the role of TDC, as discussed in the preceding finding.[8]

The reporting required of tourism development agencies by their agreements with TDC is a case in point. As the tourism development agencies see it, there is a general disconnect between the reporting requirements of their contracts and the formal use of that information by TDC. Often the review of reported information is by consent agenda at monthly meetings of the TDC Board. This causes the tourism development agencies to regard much of what they report to TDC as "for informational purposes only," without any substantive impact on the formulation of future tourism programs. The TDC Executive Director indicated that the reports are reviewed and acted on "as required." Both viewpoints may be equally true; still the perception remains.

The tourism development agencies are required to create annual marketing plans, but these annual plans are not connected to a well-defined countywide tourism strategy

Agencies Are Required by Their Contracts to Prepare Annual Marketing Plans

"...agency shall develop...a specific, detailed annual Marketing Plan...and will submit such...Marketing Plan to TDC...for review, modification and adoption"
—CVB contract, 9/12/2006, section 1, pg 2

The TDC Executive Director describes marketing plan development as a bottom-up process originating with the tourism agencies and their respective boards, followed by review by TDC management and adoption by the TDC Board. In this manner, marketing plans are developed without the strategic guidance of the county's tourism priorities, except in the most informal and indirect way. Independent development of four marketing plans is not likely to place much emphasis on cohesion and coordination among tourism agencies.

The tourism development agencies reported that although TDC Administration has not adopted a formal, structured approach for input into marketing planning, it has on occasion offered marketing direction, such as increasing trade show attendance and cold call telemarketing. The TDC Executive Director also indicated that informal marketing input does take place. He cited conversations between TDC Executive Director and the tourism development agency directors on developing a Glades area marketing project, or of expanding into specific service areas, such as recommending that the Film and TV Commission broaden its focus to include still photography and fashion photography. The TDC Executive Director has supported the Sports Commission's promotion of a Glades area fishing tournament on Lake Okeechobee, and an extreme water sport such as kite surfing off the county's

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8 The smaller tourism development agencies expressed the opinion that the ratio of oversight to support coming from TDC has not been proportionately applied. The belief is that CVB—because of its size—gets more support from TDC, while the other, smaller agencies receive more "oversight." This may be impossible to verify, but it is of value to TDC management to be aware of this commonly-held view.

beaches. These may be worthwhile marketing ideas to pursue, but it is not clear that they constitute strategic direction.

The TDC Executive Director observed that, during the year, he is more involved in the marketing plans of the agencies when opportunities for inter-agency cooperation arise as, for example, when the Film and Television Commission or the Sports Commission stages an event and the Convention and Visitors Bureau is involved in holding a block of rooms for the event's participants. TDC Administration's suggestions are not always enthusiastically received. The tourism development agencies indicated to the consultant that they are often left with too little planning time and manpower to accommodate these impromptu suggestions as they arise. The consulting team could not determine the frequency of these occurrences, but it is a scenario that could be mitigated with annual TDC strategic planning and buy-in from the agency heads.

In its current form, the Tourist Development Plan does not function as a true strategic plan guiding overall tourism development in the county

The Tourist Development Plan is a requirement of Florida's Local Option Tourist Development Act (the Act) as a condition for imposing a Tourist Development Tax and expending the proceeds thereof. According to the Act, the Tourist Development Plan (the Plan) serves to define the public purposes for which the tax is to be levied.[9] The Plan establishes broad categories of allowable spending on tourism promotion and related activities and sets the proportions of spending that will be devoted to each of those categories. In so doing, the Plan meets the threshold requirements of the Act, but it falls well short of serving as a usable framework to plan concrete goals, set targets of achievement, and measure success on an on-going basis. For those purposes, organizations turn to strategic plans.

A strategic plan helps an organization gain focus, integrate programs and allocate resources to most effectively advance overall goals.

To manage their programs effectively, agency executives must ensure consistent, high-caliber planning efforts that yield useful information for decision making. Plans must define goals, set priorities, evaluate risks to their successful achievement, identify opportunities for even greater achievements, assign responsibility for desired outcomes, and devise reliable means for evaluating the results of the organization's efforts. These are the things that strategic plans can do well. Rather than focusing exclusively on the efforts expended in activities or on outputs, a strategic plan stresses the benefits, or outcomes, of the efforts. A sound strategic planning process includes these essential elements:

- Defining a clear, purposeful mission
- Analyzing the external environment to identify opportunities and threats that could affect the mission
- Formulating goals consistent with the mission, including outcome goals, and establishing priorities among them
- Establishing actions necessary to achieve goals

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9 Chap. 125.0104, Florida Statutes

- Defining quantified targets for goals, including targets for desired results, or outcomes
- Measuring the results of operations
- Comparing results to targets to evaluate and report performance
- Explaining under-performance and the actions planned to meet goals
- Revising the plan in light of performance results and changing circumstances.[10]

A unified strategic plan helps organizations gain focus, integrate diverse programs, and allocate resources to activities that most effectively advance overall goals. Strategic planning is a long-term, future-oriented process of assessment, goal setting, and decision making that maps an explicit path between the present and a vision of the future. It provides a context and equips policymakers and managers with a framework for taking day-to-day actions.

Strategic planning processes generally include long- and short-term components. Commonly, these involve 5-year goals and use associated performance plans to set 1-year goals and targets that, in turn, lead to achieving the long-term goals. Strategic planning is fundamentally dynamic. It is not a one-time project, but an iterative process to be refined as performance is measured, targets are reset, and changes in the external environment re-evaluated as either potential threats or new opportunities for the organization.

It is vital to set targets for outcomes even when diversity of purpose and external factors can affect success.

From comments made to the study team in the course of interviews with the affected parties, the perception apparently exists that the current bottom-up marketing process is preferred by the parties. But senior executives at the tourism development agencies indicated to the study team their desire for TDC Administration to be involved at the strategic planning level. The TDC Board has recently established a joint marketing committee, which TDC management believes will enhance cooperation among the tourism development agencies. In addition, the TDC Board has recently announced that it will undertake a strategic planning process later this year. Because of diversity of purpose it is important to have a unifying strategy, along with a competent process of setting targets and tracking progress to reveal whether a program is truly successful. Strategic planning improves an organization's ability to anticipate and accommodate the future by identifying issues, opportunities and problems well in advance. Beyond that, proper planning focuses attention on results and yields information needed to guide resource allocation and to report success. The perception exists among the tourism development agencies that there is an untapped benefit to such planning and to closer inter-agency coordination.

TDC Administration provides limited coordination and guidance for the development and monitoring of funded agency performance measures and objectives statements

[10] Source: *Technology, Trade and Commerce Agency: Its Strategic Planning is Fragmented and Incomplete*, (report no. 2001-115), published by the California State Auditor, Bureau of State Audits, December 2001, p. 14.

The tourism development agencies create performance measures and objectives statements based upon their annual marketing plans or on requirements they associate with their county contracts. There is not a consistent, coordinated approach to developing performance measures or setting performance targets. Indeed, some directors of the tourism development agencies indicated that some of the performance measures associated with their contracts were not regarded as meaningful to use at the operational level.

Each agency governing board reviews and approves its proposed performance measures and program objectives before they are reviewed by TDC Administration. The TDC Executive Director indicated that he reviews each agency's annual performance measures submission, using historical trend analysis and his knowledge of the tourism environment to determine if the targets seem attainable. (It is unclear what such an historical trend analysis could be based on, inasmuch as performance data for most programs have not historically been reported, as discussed below.) Based on his review, the TDC Executive Director will recommend approval or revision of the performance targets. Agency directors indicated that input from TDC Administration into the objectives statements and performance measures reported in the annual county budget mostly concerns questions about specific events, such as whether the event will be returning in the next year, and whether there are any new events planned. TDC Administration informally monitors program objectives and performance measures by reviewing agency reports throughout the year (the semi-annual reports, the annual budget, and the marketing plan, via the monthly TDC Board meetings).

The TDC Executive Director identified "estimated hotel room nights generated" as the primary industry standard for tourism development success. Most other tourism agency performance measures indicate a level of agency activity, such as, 1) advertising inquiries, 2) Convention Center rental revenues, 3) production days, 4) producer inquiries, 5) bids submitted or assisted, 6) media/trade shows and promotions, 7) leads from advertising, and other similar statistics. These statistics may provide good information, but they do little to indicate the efficiency (return on investment) of the agency's tourism efforts or the benefits (outcome) of those efforts on local tourism. TDC Administration does not require the tourism development agencies to report the efficiency of their expenditures on tourism promotion or to relate expenditures in a specific program to increases in tourism results. Moreover, except for the Film & TV Commission, none of the tourism development agencies has performance measures and targets which completely agree with their stated program objectives for the year.[11] Thus, performance data are collected and reported for things other than the objectives to which the individual agencies have committed themselves. Performance accountability only becomes meaningful when program objectives each have their own performance measures with related targets, the targets which are set challenge the agency, and causal links can be established that relate the actions of the agency with the outcomes observed.

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[11] Several program objectives of CVB have related performance measures, several do not. None of the published program objectives of the Sports Commission or Cultural Council has such measures.

There is not a definitive "best" way to structure a tourism development organization; our research indicates that tourism development can be performed using a variety of organizational structures

The study team researched various publicly-funded tourism agencies around the nation to identify alternative structures and organizational characteristics for promoting local tourism. That research found that:

- Three of seven counties surveyed have a separate, TDC-like department that provides oversight and administrative services; two of the three entities operate as county departments, the third operates as a section of the county's Revenue Division. In the other four counties, the elected governing board provides funding directly to outside providers of tourism development programs.
- Four of five counties operate their convention centers as county departments.
- Most of the surveyed counties utilize at least some non-profit organizations to promote county tourism.
- Among the surveyed counties, we did not find a widespread practice of formalized monitoring and oversight of financial and performance accountability. The most extensive operational, procedural oversight seems to occur where the funded agencies, such as visitor bureaus or convention centers, operate as county departments.

The full research results are included as an appendix to this report, and provide the reader additional insights.

It is difficult to determine how effective TDC is at the task of using tax dollars to "generate the maximum return" as required by its mission statement

In previous findings, we have described a number of ways in which the planning process involving programs under the authority of TDC is limited. The absence of a true strategic plan with all of the elements required of such a plan, the absence of guidelines for the development of meaningful performance goals for all significant programs, together with related targets, reduces performance accountability within TDC and to its stakeholders such as the Board of County Commissioners.

TDC itself does not have any goals or performance measures which directly further its mission to "generate the maximum return" for the tax dollars it invests in tourism development.[12]

In the context of this issue, there are four relevant considerations to examine regarding the expenditure of public funds on tourism promotion initiatives. The

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[12] The sole performance measure listed for TDC in the 2007 Annual Budget is "bed tax revenues." This is an important statistic and valuable indicator of the overall strength of the local tourism economy. However, tax receipts are based on a variety of factors outside the control of TDC—lodging room rates, for instance—and so cannot serve as a *direct* measure of TDC's performance. A direct measurement of TDC would be defined in terms of the activities that TDC controls or performs.

first, asks the question, "Was the money spent as intended?" As we said in an earlier finding, the level of effort by TDC Administration devoted to the oversight of spending by the funded agencies is sufficient to give a reasonable degree of assurance on this question. Monitoring activities directed at spending are numerous and frequent.

The second addresses the question, "Was the money spent efficiently?" In other words, while the funds may have been spent for their intended purposes, could *less* money have been spent to achieve the *same* result? Monitoring activities alone cannot answer this question. It requires the existence of one or more performance measures to track efficiency. At present, the question cannot be answered.

"Was the money spent effectively?" Was the hoped-for outcome achieved? Like the question above, this one cannot be answered without performance measures for each major program that sets a specific outcome, defines legitimate measurement criteria, and collects and reports valid data relating to the agency's performance in respect of that outcome. Such measures are largely missing, however, so the question remains unanswered for most TDC-funded initiatives.

Finally, "Could the money have been spent on some alternative that would have produced an even greater benefit?" Here, too, we are left without a way to answer the question. What's needed are efficiency and effectiveness measures *across* all of the agencies' programs that would permit cross-program comparisons.

Recommendations

To manage the county-funded tourism program more effectively, TDC Administration should take the following actions.

It is recommended that TDC refine its mission statement and develop organizational objectives that more fully define and better communicate its purpose

TDC should clarify its mission statement, developing organizational objectives that communicate ways in which it will carry out the mission. TDC management must evaluate its major staff activities to determine how much each activity contributes to the TDC's ability to accomplish its mission, provide effective oversight, and perform in a leadership role as enabler of tourism promotion. Activities that do not add significant value should be modified.

Comments the study team received from all of the principal involved parties indicate that there is a range of views about the appropriate role for TDC to play. Whether TDC is a leader in the formulation of tourism promotion strategies or merely a facilitator for others' strategies is a matter for the TDC Board and county policymakers to determine. But as it stands, the existing mission statement and program services description for TDC appear to contemplate an organizational role that is proactive, rather than reactive; a role that involves *shaping* tourism promotion results, not just *reviewing* them once they are

reported. Accepting the mission of TDC to maximize the benefit received from public investments in tourism promotion, it is unclear how TDC Administration can fulfill that charge without defining the types of activities with the highest probabilities for greatest economic returns, and without overseeing a performance reporting regime that results in reliable decision-making information about the success of those efforts.

It is recommended that TDC Administration issue guidelines that set standards for financial accountability and performance evaluation at the program level

At the time of publication of this report, there were no PPMs covering key operational practices targeted at the multi-million dollar tourism programs of Palm Beach County. At a minimum, there is a need for written guidelines that address 1) financial practices, and 2) performance evaluation and reporting at the program level. To be effective, the guidelines must be mandatory, not voluntary.

Guidelines are needed to ensure that appropriate financial controls are in place at each of the tourism development agencies, and that the controls constitute adequate safeguards for the public funds these agencies receive to carry out their tourism programming. This includes, but is not necessarily limited to, guidelines incorporating minimum accounting standards for separation of duties among staff who have financial responsibilities, number and types of sign-offs required; special rules as needed to cover special circumstances, such as entertainment and travel; restrictions on commingling public and private funds; requirements for filing written responses to audit management letter comments, including the form, content, timing and distribution of such responses; limitations on sole source contract selections; periodic rotation of auditors; and participation on contractor and consultant selection panels of appropriate individuals with relevant subject matter expertise and without conflicts of interest. It is important that these be guidelines, however, and not detailed procedures; each of the tourism development agencies should prepare its own operational procedures, consistent with its staff size and other resources. The guidelines would serve only to prompt the agencies to ensure that their own rules address these issues in some workable manner. In drafting these guidelines, TDC Administration should consult with the County Attorney's Office to avoid creating unintentional third party contract liabilities.

In order that the tourism development agencies know in advance how their annual work programs will be evaluated, there is a need for TDC Administration to issue guidelines that will form the basis for meaningful performance assessments. It is not enough for the parties to merely assert benefits in some generalized or nebulous terms. The key personnel at TDC and each of the agencies all have established credentials in their fields and can be expected to articulate how the programs they conduct will contribute to the overall mission of promoting tourism in the community to the maximum extent. For every major program proposed by any of the four tourism development agencies in their respective marketing plans, whether the programs will be provided by the agencies themselves or by sub-contractors, TDC guidelines should specify the use of efficiency and effectiveness measures and require that specific goals be

identified for each measure, together with quantifiable targets which the programs are intended to achieve. Beyond that, the guidelines would address standards of data accuracy and data collection and validation methods, in addition to the reporting schedule, which is already addressed in the agencies' annual contracts.

It is recommended that TDC develop an overall, integrated strategy to guide the annual planning and delivery of tourism development activities under its authority

TDC Administration can take a significant leadership role here, working collaboratively with the TDC Board, the four tourism development agencies and other affected and interested parties. The TDC Executive Director is charged with communicating the global strategic course of action defined by the TDC Board to achieve the goals and objectives of the statutory Tourist Development Plan. More than any other device, a strategic plan would supply the means by which the TDC mission to "promote the tourism industry...and use tourism development tax dollars to generate the maximum return" can be achieved. Once adopted, the strategic plan for tourism development should serve as an input into the formulation of each of the tourism development agencies' required marketing plans.

As a county-funded initiative, the tourism development and promotion activities carried out by the tourism development agencies *should* be influenced by the direction that the county (acting through the TDC Board) wants to pursue. Moreover, TDC Administration should incorporate into its monitoring of the agencies' marketing plans, a check for the strategic focus developed in annual strategic planning workshops. Finally, the coordination of activities across events should be a regular topic of review at monthly agency head meetings and at agency and TDC Board meetings.

Some amount of strategic planning already occurs at the level of the individual tourism development agencies, so the process would not be unfamiliar to some of the participants. The planning framework already in use at the agency level could be adapted for use by TDC Administration. Nevertheless, this will not be an instantaneous process; it is detailed work, requiring wide-ranging consultations with interested and affected parties, and involving much thought. The process should include all the elements identified earlier in this report and discussed in connection with the finding on this subject at pages 19-20.

It is recommended that TDC Administration take a more active role in development of tourism agencies' performance measures

As the county department responsible for successful implementation of the Tourist Development Plan, TDC has the implicit duty to guide the tourism development agencies' county-required performance programs, particularly to ensure that each program is well aligned with the overall direction articulated by a strategic plan, should one be created. TDC Administration should be actively involved in the development of each agency's performance measures and objectives statements. The annual agreements between TDC and the four tourism development agencies fully allow this level of guidance and oversight;

such involvement would not constitute operational interference with the tourism development agencies.

TDC Administration and the tourism development agencies should begin by refining the statistics that are currently being tracked, wherever possible converting them into efficiency performance measures (rate of return, cost per output achieved, or cost per room night, for example), and into outcome performance measures, including customer satisfaction ratings. To the greatest practicable extent, these should be developed so that they are equally applicable to all tourism events. By focusing measurement *only* on the industry standard hotel night stays generated by an event or promotion (the so-called "heads in beds"), a limited picture of success is achieved.

Routinely measuring customer satisfaction would provide an additional dimension that would give TDC Administration valuable insight into whether, 1) the visitors are likely to return to Palm Beach County, 2) they will recommend the area or the event to others, 3) the event they attended was well run and organized, 4) event facilities were convenient, clean, and so on. These customer satisfaction indicators are examples of customer input that is applicable across the board. Customer satisfaction is the ideal outcome companion to tourism development and promotion inputs. The same value applies to "internal" customers as well. Surveying the partners, contractors, grantees, and other industry stakeholders that tourism development agencies work with offers still more valuable performance feedback about the tourism program. TDC Administration can then integrate the customer satisfaction responses into strategic planning, marketing plan development and resource allocation/budget preparation.

It is recommended that TDC Administration conduct structured annual reviews of tourism development agencies' operating procedures

The county's contracts with each of the four tourism development agencies envision that TDC Administration will conduct a review jointly with the affected agency in order to determine if agency policies and procedures are consistent with the county's objectives and will accomplish their intended purpose. TDC management has simplified this somewhat to reviewing only the *changes* an agency has made to its policies and procedures during the year. The better practice would be to conduct a structured review resulting in a written compliance report. This becomes all the more necessary once TDC Administration issues the internal guidelines on financial accountability recommended above. If the small size of the TDC staff makes this prohibitive, TDC Administration should consider incorporating into the financial guidelines a requirement that annual audits contain a certification by the independent auditor that the auditee is in compliance with all the relevant internal guidelines, as required by their contracts.

The annual reviews would also be a good time to conduct structured assessments of the performance results of each tourism development agency, comparing intended targets for each major program in an agency's marketing plan with the results achieved. In that manner, the annual reports prepared by TDC Administration would serve a particularly useful purpose in helping shape the

agency marketing plans for the next contract period, by showing which programs were successful and which were less so. That sort of formalized performance assessment is needed before the Tourist Development Council is in a position to represent how effectively it accomplishes its mission to leverage tax investments to the maximum benefit of the local tourism economy.

Appendix

VARIOUS TOURIST DEVELOPMENT COUNCILS

The study team researched various publicly-funded tourism development agencies to identify alternative government structures and organizational characteristics for promoting tourism. The entities were researched via government websites, and utilized both electronic and telephone interviews. The research serves to illustrate the myriad of different ways public agencies within Florida and in other parts of the country promote tourism through tourist tax funding.

This type of research is often useful to provide a point of reference for the operational discussions and analysis being performed. Each of the government organizations researched provides their organizational and operational insight into the tourism promotion industry. The tourism development research is summarized as follows:

- Three of seven agencies have a separate TDC-like department that provides oversight and administrative services. Of these three entities, two operate as an agency department CVB (the other operates as a section of the counties Revenue division). The four agencies that do not have a TDC-like department have funding provided directly by the authorizing elected governing board.
- Four of five counties indicated that their convention centers are operated as county departments.
- The majority of agencies utilize at least some non-profit organizations to promote local tourism.
- The research indicates that there is not a widespread practice of formalized, periodic, monitoring and oversight of financial and performance accountability among the tourism development entities researched. The most extensive operational, procedural oversight occurs where funded agencies (such as the CVB or the Convention Center) operate as county departments.

The table which begins on the following page outlines the research results. The research indicates that tourism development can be performed using a variety of organizational structures. The footnotes provide insight into the nuances of the information displayed in the table.

Tourist Development Council Research

A	B	C	D	E	F
Agency ---- Reference	TDC-type dept. for oversight / administrative services	Tourist Development Council Board - a Board that recommends tourism funding	Convention Center as an agency department	Non-Profit agencies to promote tourism	Highly procedural, formal, periodic, operational or financial oversight of bed tax expenditures by tourism agencies
Orange County, FL ---- Barry Skinner Comptroller's Office	No (1)	Yes (2)	Yes (3)	Yes (4)	No
(1) The TDC Board exists without a TDC-like government department. (2) The Tourist Development County Board (TDCB) is the entity charged with using the county bed tax revenue for tourism promotion. Almost fifty percent of bed tax revenue is allotted to the Tourist & Visitors Bureau, another approximately fifty percent is allotted to the convention center debt. In the opinion of Barry Skinner, the TDCB does not provide much oversight of the Tourist & Visitors Bureau. (3) The Convention Center Director reports to the County Administrator. The sales staff of the Convention Center is county employees. (4) The county contracts with the non-profit Tourist & Visitors Bureau to promote and market tourism. The TVB is a tourism agency, apart from the Convention Center. There is county funding of sports, and cultural but the interviewee was unsure as to whether bed tax dollars are used.					
Volusia County, FL ---- Doug Kruger	Yes (1)	Yes	Yes (3)	No (4)	No (5)
(1) Tourist Department section of the Revenue Division - reports to the CFO and the Revenue Division. (3) The county convention development tax is at 3%, two percent used to pay down debt and for operating, with 1% used to finance expansions. The Convention Center is a County Department, managed and operated by county staff, the sales force are county employees. General, ongoing maintenance is performed by county staff. (4) The county utilizes three Tourist Taxing Districts (Halifax, West Volusia and Southeast) which are responsible for spending bed tax funds to promote tourism. The current tax rate is 3%. (5) The County Council approves the Tourist Development Districts budgets, but it does not provide any direction or oversight on the expenditure of those funds.					

Agency ---- Reference	TDC-type dept. for oversight / administrative services	Tourist Development Council Board - a Board that recommends tourism funding	Convention Center as an agency department	Non-Profit agencies to promote tourism	Highly procedural, formal, periodic, operational or financial oversight of bed tax expenditures by tourism agencies
Collier County, FL ---- Jack Wert, CVB Exec. Director	Yes (1)	Yes	N/A (3)	Yes (4)	No (5)
(1) (4) The Collier County Tourism Department uses the TDC to administer the CVB. So the entire tourism promotion operation is County based, controlled by County Ordinance with no contractual arrangement. The Tourist Development Council Department reports to the Office of the County Administrator. The TDC Department has 6.5 full-time equivalent staff. The Naples, Marco Island Everglades Convention & Visitors Bureau (also called CVB) is the marketing arm of the TDC that contracts with both profit and non-profits to promote tourism and to operate sports, and cultural events. The department has nine employees. The CVB reports to the County Manager. (3) The county does not have a convention center. (5) The Tourism Department (and CVB) receives the same amount of oversight as any county department, via the Budget Office and the Clerk of the Courts Finance Department.					
Broward County, FL ---- Kayla Olsen, OFMB Director	No (1)	Yes	Yes (3)	Yes	No (5)
(1), (3) The Greater Fort Lauderdale Convention and /Visitors Bureau (GFLCVB) is a county department that reports to the Deputy County Administrator. (5) The CVB Department receives the same amount of oversight as any county department, via the Budget Office and the Clerk of the Court.					

Agency ---- Reference	TDC-type dept. for oversight / administrative services	Tourist Development Council Board - a Board that recommends tourism funding	Convention Center as an agency department	Non-Profit agencies to promote tourism	Highly procedural, formal, periodic, operational or financial oversight of bed tax expenditures by tourism agencies
San Diego County, CA ---- Jon Baker, Office of Financial Planning	No (1)	No	No (3)	Yes	No
(1) Grants are provided directly by the Board of Supervisors to non-profit agencies to promote tourism. The bed tax rate is approximately 8%, which equates to roughly $3 million in annual revenue. One person in the Treasurer-Tax Collector's Office (Special Functions Manager) oversees the collection and reporting of the bed tax. One person in the Office of Financial Planning (Administrative Analyst III) is responsible for administering the grants once they are approved by the Board of Supervisors. (3) The Convention Center is a non-profit public benefit corporation created by the City of San Diego to manage and market the San Diego [illegible]ntion Center. A nine-member board of directors consisting of business and community leaders establishes policy for the SDCC.					
City of Austin, TX ---- Karen Case, Director of Administration ACVB	No (1)	No	Yes (3)	Yes (4)	No (5)
(1) (4) The City of Austin's bed tax is 15%. Sixteen percent of the bed tax goes to the non-profit Austin Convention and Visitors Bureau. The City Council contracts with the ACVB, the Sports Commission is part of the ACVB. The City contracts with non-profit arts agencies. The arts receive 12% of the bed tax. (3) The Austin Convention Center is a department of the City. The convention center receives 72% of the bed tax. (5) The ACVB reports activity to a contract administrator who is a permanent member of the ACVB Board. The contract administrator is also the Convention Center's Executive Director. ACVB activities are reported monthly through Executive Committee Meetings and Board Meetings. The ACVB submits an annual Marketing Plan and Budget to the City, performance measures are clearly spelled out for each department of the ACVB. An Assistant City Manager oversees the ACVB contract. Contract negotiations occur primarily with the Assistant City Manager.					

Agency ---- Reference	TDC-type dept. for oversight / administrative services	Tourist Development Council Board - a Board that recommends tourism funding	Convention Center as an agency department	Non-Profit agencies to promote tourism	Highly procedural, formal, periodic, operational or financial oversight of bed tax expenditures by tourism agencies
Lee County, FL ---- County website	Yes (1)	Yes	No (3)	No	No

(1) The bed tax is 5%. The Visitor and Convention Bureau is a county department that reports to the County Manager's Office. It is tasked to create a county-wide marketing program to encourage tourism.
(3) The Lee County Convention and Visitors Bureau does offer some marketing funding to the Civic Center operated by the City of Fort Myers.

APPENDIX E:

CVB Travel Policy

MEMORANDUM

TO: Staff of the Palm Beach County Convention & Visitors Bureau

FROM: Michael Valdes
Director of Finance & Administration

DATE: July 12, 2007

SUBJ: Travel Policy/Expense Reports/Per Diem Rates

In an effort to better educate each staff member, the Finance Department has put together several documents that will help explain our Travel Policies and related reporting. Travel and entertainment have and will continue to be a closely scrutinized issue. It is important that you submit expense reports that are timely and are in compliance with our CVB Contract, County Policies, and State Law (F.S. 125.0104 & 112.061).

Florida Statue 125.0104 establishes the tourist development tax. Paragraph 9 of this statue outlines some of the authorized uses of the development tax. Within this paragraph, it refers to F.S. 112.061 which specifically outlines per diem and travel expenses. Exhibit "G" of our contract specifically lays out what is expected from us as it relates to Travel & Entertainment. Within Exhibit "G" it makes reference to a County Policy, PPM CD-F-0009. This County Policy is utilized when F.S.125.0104 and Exhibit "G" does not specifically govern expenditure. I have attached these documents for your reference.

This memorandum will be broken into three sections. The first section will highlight some of the applications of the above mentioned policies. The second section will describe how to fill out the expense report. The final section will describe how to fill out the mileage report.

Policy Highlights & Explanations

General Issues

- All travel and entertainment-related expenditures in excess of $10.00 shall be substantiated by paid invoice or receipt. Invoices and receipts must be itemized.
- Receipts are required for parking and toll reimbursements. It does not matter that the parking or toll fee is under $10.00.
- Porterage and tips are the only items allowed on the expense report that do not require a receipt, as long as they are less than $10.00 per instance/day. Tips associated with meals or entertainment are excluded from this rule. Any tips over $10.00 without a receipt require a written explanation and are subject to review and rejection.
- If a credit card is used to pay for expenses, a credit card statement must be provided with the receipt. The online printout of your statement can be substituted for the actual statement.
    - Please black out all items that are personal items when personal credit card bills are turned in.
- Some hotels include a contribution or donation on your bill, this is considered un-reimbursable.
- One personal phone call per day is allowed when out of town for business.
- Sponsorships must be explained in detail. This detail must include, but not limited to, the exact benefits PBC will receive and how it relates to our mission.
- Conferences and education classes need detailed descriptions on how it benefits the CVB and PBC.
- Airline tickets purchased for outside clients visiting the county shall have a written detailed description as to the purpose of the trip. Items to include, but are not limited to, printout of ticket (showing purchase, traveler's name and ticket specifics), trip itinerary, description of CVB staff meeting and interactions with the traveler. Any deviations from this criterion may cause the expense to be rejected.

Meal Issues

- Meals will be defined as any item that provides subsistence to a traveler while away. This includes, but not limited to, Breakfasts, Lunches, Dinners, snacks or any other food / non-alcoholic beverage items consumed by the traveler.
    - All items consumed may not exceed the daily limit for that specific city.
- Meal amounts are limited to the per diem rate for a specific city. These rates are inclusive of the 15% tip. A new listing is issued each Fiscal Year.
    - If your specific city is not listed you are to use the next closest city.
- The maximum tip will be 15%. The tip is based on the amount of food and beverage before tax is calculated.
- No alcohol will be reimbursed for Meals.
- No room service charges will be reimbursed.

- A traveler shall receive an allowance for meals based on the following schedule:
  - Breakfast – When travel begins before 6 a.m. and extends beyond 8 a. m.
  - Lunch – When travel begins before 12 noon and extends beyond 2 p.m.
  - Dinner – when travel begins before 6 p.m. and extends beyond 8 p.m. or when travel occurs during nighttime hours due to special circumstances.
- If any meal is included with your room stay, you will not be eligible for the allowance for that meal.
- If any meal is included in your conference, trade show or any other function you attend, you will not be eligible for the allowance for that meal.
- If any meal occurs as part of entertainment, you will not be eligible for the allowance for that meal.
- Reimbursement is for any items consumed outside of Palm Beach County.

Entertainment Issues

- Entertainment expenses shall be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry.
- Entertainment amounts are limited to the following amounts. These amounts **DO NOT** include the tip.
  - Breakfast $ 30.00
  - Lunch $ 70.00
  - Dinner $100.00
- The maximum tip will be 20%. The tip is based on the amount of food and beverage before tax is calculated.
- Alcohol will be reimbursed while entertaining, subject to the above limits.

Mileage Issues

- Any mileage taken on a workday must originate be from the office.
- Mileage may not be taken on car rentals or for company functions.
- If your mileage is associated with an expense report, the amount of the mileage reimbursement must be included in the expense report. The original and a duplicate mileage report must accompany the expense report.
- A travel printout from Map Quest or any other mapping program shall be included to justify the mileage claimed.
- Kilometers must be converted into miles before submission. This mostly applies to foreign contractors.

Expense Report Procedures

- Expense Reports need to be completed and submitted in a timely manner. Timely for the purpose of this report will be defined as 3 to 5 calendar days from the date of the accrued charge or a completed trip.
- For foreign travel, your expense report should be completed in the currency of the expense. Multiple currencies need to be reported on separate reports.
    - The exchange rates found at www.OANDA.com will be used. You will need to go to currency tools and look for the report Fx History.
    - The exchange rate shall be defined as the average of the Interbank Rate plus 5% for the time frame of the trip.
    - A copy of this rate sheet shall accompany any expense report that involves foreign currency.
- Cash and Corporate AMEX charges need to be reported on separate reports. If an employee uses a personal credit card for charges, it will be treated like cash. Both the Cash and AMEX reports must be submitted at the same time in order to properly calculate the per diems.
- The original receipt must be submitted with each report as back up for each charge. Porterage and Tips under $10.00 are the only exception.
- A duplicate copy of the entire report must be submitted with the original for review and payment processing.

The following information is a brief explanation of what is expected in each of the expense report areas: *(See the attached form for additional reference.)*

1. The name of the person who incurred the charges being submitted is placed in this area.
2. The person's signature needs to be placed here.
3. The dates of travel or the date of the charge, if not related to travel, need to be reported in this area.
4. The expense number(s) should be entered here. For multiple account numbers, separate the amount for each account number.
5. For foreign travel, enter the exchange rate for your transactions. For international charges, the actual rate of exchange shown on the credit card statement will be used. For cash transactions, the exchange rates found at www.OANDA.com will be used. The exchange rate will be defined as the average of the Interbank Rate plus 5% for the time frame of the trip.
6. A summary explanation for the trip needs to be placed here. Greater detail will need to accompany the report. This detail will include, but not limited to, the marketing plan and any other information that explains how this trip benefits PBC and puts heads in beds.
7. The date the expense was incurred. Charges that relate to multiple days will need to be split into individual days.

8. Enter the location the expense occurred in this area. For local travel, place the property name here. For travel outside PBC, include the city where the property, trade show, or sales call is located.
9. Parking expenses are entered in this column.
10. Toll expenses are entered in this column.
11. Transportation expenses are for car rentals, gasoline purchased for car rentals, airplane tickets, train tickets or any other mode of transportation except taxi and cab fare.
12. Expenses for ground transportation excluding rental cars are entered here.
13. The expense for the hotel room is placed here. This will include, but is not limited to, the room rate and any tax that the taxing authority imposes that relates to the room charge. The bill must be split by day for multiple day stays.
    a. Split all other charges that may appear on your room account into the appropriate column.
14. Expenses for meals or any other food related charges are entered here. Food related to entertainment must be entered in column 17.
    a. A copy of the per diem rate sheet with the specific city highlighted must be included with the expense report.
15. Telephone charges are entered here.
    a. All telephone charges should be documented as to the purpose of the call. You should include, but not limited to, the caller, the caller's company, and the purpose for the call as it relates to PBC.
16. Porterage and Tips are entered here.
    a. Any amount over $10.00 needs to be explained.
17. Entertainment expenses are entered in this column.
    a. You must list the name, company and title of each person you are entertaining. An itemized receipt as well as proof of payment shall be included to be eligible for reimbursement.
18. Any other item that does not fit another category is entered in this column.
    a. You must include a complete explanation for the charge to be eligible for reimbursement.
19. This area is for the traveler to total each row.
20. This area is for the traveler to total each column.
21. This is the total of the rows listed in "area 19". It should match the totals listed in "area 20"
22. For foreign travel, the exchange rate from "area 5" is reentered here.
23. For foreign travel, the expenses are converted to US dollars and entered in this area. (Area 21 x Area 22)
24. If a mileage report is being submitted as part of the trip, the dollar amount is entered in this area.
25. If a travel advance was given prior to your departure, the amount of the travel advance is entered here.
26. The total of the entire report is entered here.
    a. For domestic travel: Area 21 + Area 24 – Area 25.
    b. For Foreign travel: Area 23 + Area 24 – Area 25.

Mileage Report Procedures

- Mileage Reports need to be completed and submitted in a timely manner. Timely for the purpose of this report will be defined as once a month or once the report has reached $20.00.
- As of calendar year 2007, we will reimburse $.485 per mile driven in your personal vehicle. This amount is subject to change from year to year.
- A duplicate copy of the entire report must be submitted with the original for review and payment processing.

The following information is a brief explanation of what is expected in each area of the expense report: *(See the attached form for additional reference.)*

1. The name of the person whose vehicle was used to incur the mileage.
2. The person's department is entered here.
3. The expense number(s) should be entered here. For multiple account numbers, separate the amount for each account number.
4. The dates of travel need to be reported in this area. If you make three different trips on the same day, they must be listed individually.
5. The name of the origin property and city must be listed here. The address will be found on the Map Quest listing and does not need to be reentered here.
6. The name of the destination property and city must be listed here. The address will be found on the Map Quest listing and does not need to be reentered here.
7. A summary explanation for the trip needs to be placed here. Greater detail will need to accompany the report. This detail may include, but not limited to, the marketing plan and any other information that explains how this trip benefits PBC and puts heads in beds.
8. Enter the miles driven in this area.
9. Enter the name and location that you may accrue any tolls or parking charges that relate to the trip in this area.
10. Enter the amount of any tolls or parking charges that relate to the trip in this area.
11. These areas are self calculating.
    a. Total Mileage: Totals Column 8.
    b. Total cost of Mileage: Multiplies total mileage by .485.
    c. Total Parking Tolls: Total Column 10.
    d. Grand Total: Adds Total Cost of Mileage and Total Parking Tolls.
12. The signature of the person submitting this report is entered here and dated.
13. The printed name of the person signing this document from :area 12"
14. Enter the Year & Make of your car here.
15. The Department head or designee will sign in the area that he has reviewed the charges and the charges are within the departments spending parameters. If a department head is submitting the report his/her immediate supervisor will need to sign here.
16. The CEO/President will sign in this area for final approval before payment. If the CEO/President is submitting the report, the Chairman of the Board will need to sign in this area.

APPENDIX F:

CVB Management Response

PALM BEACH CONVENTION & VISITORS BUREAU
NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
1.	**Gross mismanagement allowed misappropriation of funds at the Convention and Visitors Bureau**		
5	A. Cooperate with law enforcement to pursue prosecution of the Controller and recover as much of the misappropriated funds as possible from responsible parties as noted in this report.	Implemented	Management agrees with the status.
6	B. Implement all recommendations contained in this report.	Partially Implemented	Management agrees with the status.
6	C. Prepare and file with the IRS, Form 1099 for the Controller for the amounts of the misappropriations for each year she embezzled funds.	Partially Implemented	Management agrees with the status.
2.	**Public funds have been co-mingled and converted into "private funds"**		
6	A. Work with the BCC to rescind the contract amendment that allows the conversion of public funds to private funds.	Not Implemented	The report states that "Under the 2007 contract, the CVB is authorized to generate funds that are deemed private funds…" In looking at our industry, we have found that this activity is a common practice. With these actions being a common practice with our industry and our contractual provision, **Management feels the status should reflect an Acceptable Alternative.**

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
7	B. Transmit all CVB revenue to the County as reimbursement of taxpayer funds.	Not Implemented	Discover Palm Beach County's (DPBC) mandate is to attract visitors to the region. This mandate is significantly enhanced by its ability to generate private sector contributions and in-kind support. When looking at other similarly structured private non-profit organization like DPBC, this is a very common practice in the destination marketing arena. This practice improves the competitiveness of cities and counties that consider tourism development and optimization a key driver of economic activity. Palm Beach County's overall destination marketing funding and tourism performance indicators strongly suggest that private sector funds generated through DPBC's efforts should be used to augment rather than offset public funds used for this purpose. As the report states that "Under the 2007 contract, the CVB is authorized to generate funds that are deemed private funds…"and with the common occurrence of this practice amongst forward thinking destination marketing organizations, **Management considers that the status of this recommendation should reflect an Acceptable Alternative.**
3.	**There are inadequate controls to monitor the use of the Convention and Visitors Bureau's "private funds"**		
9	A. Eliminate "private funds" and process all revenue and payments through the County.	Not Implemented	See the comments reflected in item 2A & 2B.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
4.	**Lack of cooperation on the part of the external audit firm prevented a determination of the adequacy of its work**		
11	A. Pursue the possibility of taking legal action against the accounting firm.	Implemented	Management agrees with the status.
11	B. Implement an auditor rotation policy whereby a mandatory rotation of auditors would occur at least every five years through a competitive selection process.	Implemented	Management agrees with the status.
11	C. Terminate the financial audit contract with the current external auditing firm and select a new auditing firm through a competitive process.	Partially Implemented	Management agrees with the status. SPECIAL NOTE: Management has interview several prospective auditing companies. They are compiling quotes that are due back on or before December 15, 2007.

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NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
5.	**Issues relating to the Board of Directors should be addressed**		
12	A. Review and approve policies and procedures annually.	Not Implemented	Our policies and procedures were reviewed and approved by our Board of Directors in December, 2006. These policies and procedures are currently being revised taking into consideration that the Finance Department is fully staffed. Other considerations that have played a role in the updated policies are the upgrades to the accounting system software. The 07/08 Board of Directors will appoint a Finance and Audit Committees in the December 2007 Board Meeting. Upon these appointments, the revised policies and procedures will be presented to each committee for initial approval. Upon their approval, the full Board will be presented with the policies and procedures for their ratification. Although this recommendation is not fully implemented, **Management feels that we have started this recommendation and the status should reflect this effort by reading Partially Implemented.**
12	B. Establish an audit committee comprised of several Board members and, perhaps, outside citizens, to oversee the audits. Oversight would include auditor selection, approval of audit scope, audit status reports, reporting of results, and follow up with management on recommendations.	Partially Implemented	See the comments reflected in item 5A. Management agrees with the status.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
12	C. Develop a corporate travel policy that includes CEO travel criteria, requires cost justification for all travel, and mandates Board approval prior to CEO travel.	Partially Implemented	We have implemented a policy in the CVB/County contract that the Executive Committee will sign off on all travel by the CEO. This policy continues to say that the CEO will sign off on all travel for Department heads and any trips that are not apart of the marketing plan. The Department head will sign off on any trips that are apart of the Marketing Plan for their subordinates. See Exhibit "G" of our contract. **Management feels that this recommendation is Implemented.**
12	D. Develop a corporate policy on entertainment, which requires Board approval prior to all significant entertainment expenditures.	Partially Implemented	All significant entertainment is included in our Marketing Plan. Our Marketing Plan is submitted and approved by the Board and is in compliance with the CVB/County contract provisions. **Management feels that this recommendation is Implemented.**
13	E. Enact term limits for all Board members.	Implemented	Management agrees with the status.

PALM BEACH CONVENTION & VISITORS BUREAU
NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
6.	**Convention and Visitors Bureau's conflict of interest policy is not sufficient**		
13	A. Develop, implement and distribute a comprehensive conflict of interest policy to include wording that no vendor or Board member may be related to any CVB employee. Require all officers, directors, agents, employees or vendors to sign a conflict of interest statement attesting that no conflict exists under the policy. All possible conflicts must be disclosed to the Board in writing.	Partially Implemented	Management agrees with the status. SPECIAL NOTE: Management has sent the conflict of interest statements to each board member for signature. We have received some of these forms back and expect to have all returned by December 11, 2007.
13	B. Adhere to and enforce the conflict of interest policy.	Not Implemented	See the comments reflected in item 6A. A new conflict of interest has been developed and is included as Exhibit "C" of our contract. The adherence and enforcement will be an ongoing process. Therefore, **Management feels that this recommendation is Partially Implemented.**

PALM BEACH CONVENTION & VISITORS BUREAU
NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
7.	**Convention and Visitors Bureau does not have adequate fidelity bond insurance coverage to protect the County**		
14	A. Amend the CVB contract to include an appropriate level of fidelity bond coverage based on the CVB's level of risk. The CVB should work with the County to amend CVB's current contract to increase the fidelity bond coverage to a more appropriate amount. The required coverage should be analyzed in terms of potential loss to the CVB and the County.	Not Implemented	The 2007 contract states "…that such bond may initially be in such lesser amount (but in no event less than Three Hundred Thousand Dollars ($300,000)) as may be available in the marketplace after diligent effort". Management has provided a certificate of insurance showing the minimum value and continues to look to the market for a policy of $1 million. Therefore, **Management feels that this recommendation is Partially Implemented.**
8.	**Withholding taxes paid by the County to the Convention and Visitors Bureau were not paid to the IRS**		
14	A. Determine the total amount of back payroll taxes due and negotiate terms for their payment with the IRS.	Implemented	Management agrees with the status.
14	B. Assume full responsibility for the IRS payment. The CVB should not request reimbursement from the County.	Implemented	Management agrees with the status.

PALM BEACH CONVENTION & VISITORS BUREAU
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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
9.	**The Convention and Visitors Bureau Board of Directors' control of the Convention Center may create a conflict of interest**		
15	A. Rescind the Convention Center contract between the BCC and the CVB and use a competitive bidding process to select new management for the Convention Center facility. Alternatively, the County may consider assuming responsibility for the operations of the Convention Center.	Implemented	Management agrees with the status.
10.	**County is advancing funds for payment in violation of the contract with the Convention and Visitors Bureau**		
15	A. Provide documentation of the payment of expenses prior to seeking reimbursement.	Acceptable Alternative	Management agrees with the status.

PALM BEACH CONVENTION & VISITORS BUREAU
NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
11.	**Vice President of Finance & Administration (VPF&A) failed to monitor financial activity**		
16	A. Monitor and enforce a system of internal controls to ensure the controls are operating effectively.	Partially Implemented	Management agrees with the status. SPECIAL NOTE: The VPF duties have been restructured with a greater focus on controls and accountability.
16	B. Conduct regularly scheduled and unannounced financial reviews, to include bank reconciliations and bank account balances, to detect and prevent abnormalities.	Implemented	Management agrees with the status.
12.	**Convention and Visitors Bureau lacks sufficient management over information technology activities**		
17	A. Update policies and procedures for computer usage, Internet usage, computer security, and e-mail use and eliminate the expectation of privacy for employees while using CVB computers.	Implemented	Management agrees with the status.
17	B. Install and maintain Internet-filtering software.	Implemented	Management agrees with the status.
17	C. Identify and use a secure, approved, off-site data storage facility for backup tape storage.	Not Implemented	Management agrees with the status. SPECIAL NOTE: Management realizes the value of this recommendation and will be researching a viable solution to this item in the near future.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
17	D. Merge all IT functions, operations, and systems under one division.	Acceptable Alternative	Management agrees with the status.
18	E. Develop and implement an IT strategic plan.	Not Implemented	Management agrees with the status. SPECIAL NOTE: Management realizes the value of this recommendation and will be developing a solution that will comply with DMAI accreditation standards.
13. Segregation of duties is inadequate			
18	A. Conduct regular assessments of the internal control systems to verify the controls are functioning as outlined in the policies and procedures and position descriptions.	Partially Implemented	Management agrees with the status.
18	B. Segregate the duties of preparing expense reimbursement packets and picking up and depositing checks.	Implemented	Management agrees with the status.

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NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
14. Convention and Visitors Bureau's record management system does not provide adequate tracking of expenditures			
18	A. Obtain a record management system that identifies tracks, analyzes, and locates specific expenditure information. The system should also have detailed reporting capabilities, including reports that cross-reference expense reimbursement packets by individual vendors, type of expenditure, etc.	Not Implemented	The CVB uses the Microsoft Dynamics Great Plains software package. This package allows a user to cross-reference any and all documents entered into the system. When billing the Clerk's office for reimbursement, each invoice reflects a packet number and lists each vendor's invoice individually by department. When payment is received, the system allows for the application of the payment to the invoice that has been reimbursed. This cash receipt is cross-referenced in the deposit. When entering payables, each vendor's invoice is coded with the corresponding packet number (from the receivable cycle discussed above). This packet number follows the invoice through the system and is printed on the checks stub that is sent to the vendor for payment. Therefore, **Management feels that this recommendation is Implemented.**

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
19	B. Create a policy and procedure for the processing of reimbursement requests that requires, at minimum, the following: complete and legible expense reimbursement request forms, detailed information for each line item, breakdowns, receipts for all expenses and timely submission.	Partially Implemented	Management agrees with the status.
15. Policies and procedures are inadequate to ensure proper internal controls			
19	A. Adhere to its contractual obligations and develop proper policies and procedures for each function within accounting as well as adequate segregation of duties.	Not Implemented	The report states that "the VPF has prepared draft accounting procedure and internal controls, which include segregation of duties." The draft has not been submitted to the CVB Board or the TDC for approval and implementation. Therefore, **Management feels that this recommendation is Partially Implemented.**
20	B. Ensure the Board of Directors and Tourist Development Council annually review and approve policies and procedures. Ensure that all internal controls are in place and functioning in accordance with the policies and procedures.	Not Implemented	See the comments reflected in item 5A.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
16. The Convention and Visitors Bureau's Membership Program provides special benefits			
20	A. Eliminate the Membership Program and promote all Palm Beach County tourist businesses equally.	Not Implemented	See the comments reflected in item 2A & 2B. DPBC fulfills its mandate to promote all county tourism establishments through the professional execution of its Annual Marketing Plan. This comprehensive plan contains elements of county wide image advertising, brand development, collateral material, public relations and consumer and trade show participation. These elements are aimed at creating a distinct position in the mind of potential visitors. This generic marketing of Palm Beach County's image and attributes benefits all hospitality entities. Membership programs are central to the development of community wide support for the tourism industry. Engaging the community though membership, partnerships and alliances is a central goal of forward thinking destination marketing entities. This mentality promotes alternative funding sources and in-kind contributions as well volunteer participation in committees and task forces. Volunteer committees in areas such as marketing and public relations result in strong industry buy-in and support of DPBC's efforts, greatly enhancing the quality and creativity of its promotional content and programs. As part of DPBC's effort to expand specific support for tax producing entities, it will pursue ways to highlight them through its promotional material and internet marketing strategies. In light of the above, **Management considers that the status of this recommendation should reflect an Acceptable Alternative.**

PALM BEACH CONVENTION & VISITORS BUREAU
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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
17.	**The CEO traveled extensively without adequate documentation of reasonableness and necessity, and in violation of County policies**		
21	A. Develop a travel and entertainment cost-benefit analysis as part of the annual marketing plan.	Partially Implemented	Management agrees with the status.
21	B. Approve all of the CEO's travel in advance.	Not Implemented	As reported, Exhibit G of our contract states that travel will be approved by the Bureau's Executive Committee. The CEO's travel has been accounted for in our annual Marketing Plan. This plan has been presented to the full Board and approved. Any travel in addition to this plan, would be approved in advance. **Management feels that this recommendation has been Implemented.**
21	C. Review all CEO expenditures to ensure all expenditures are reasonable, necessary and in compliance with County policy.	Partially Implemented	Based on the response in items 5C, 5D and 17B, **Management feels that this recommendation has been Implemented.**
18.	**The CEO's full compensation package is not approved by the County**		
22	A. Compensate the CEO in compliance with the County's approved compensation package.	Partially Implemented	The compensation package has been submitted to the BCC and approved. This approval took place on or about July 24, 2007. Therefore, **Management feels that this recommendation has been Implemented.**

PALM BEACH CONVENTION & VISITORS BUREAU
NOVEMBER 2007
SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
23	B. Remit to the County any revenue generated by the activities of the CVB.	Partially Implemented	See the comments reflected in item 2A & 2B.
19.	**Sweep account revenues are not remitted to the County**		
24	A. Remit all sweep account interest revenue to the County to offset County expenses.	Not Implemented	A worksheet has been prepared to show the year to date activity in the interest received and service charges paid. As of August, 2007, we would be submitting a reimbursement request for 220.18 to cover the excess service charges over interest earned. If the interest earned is greater than fees paid, we will remit excess to the county. Based on this calculation and new procedure, **Management feels that an Acceptable Alternative has been derived.**
20.	**Convention and Visitors Bureau manages the computer network systems for the Tourist Development Council (TDC) and other organizations under the TDC**		
24	A. Discontinue managing computer operations of the TDC and other organizations.	Partially Implemented	Management agrees with the status.
21.	**Online reservation system has not produced sufficient revenue to cover costs**		
25	A. Eliminate the online reservation system.	Implemented	Management agrees with the status.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
25	B. Develop a detailed project planning methodology to ensure future projects are better planned and implemented. The methodology must include cost-benefit analysis.	Not Implemented	Management agrees with the status.
22.	**The Convention and Visitors Bureau has used outside legal counsel to perform administrative tasks**		
25	A. Re-evaluate the organization's policy for referral of matters to outside counsel.	Implemented	Management agrees with the status.
26	B. Train staff to handle administrative functions previously handled by outside counsel.	Implemented	Management agrees with the status.
23.	**Security of the automated accounting system's test database is insufficient**		
26	A. Require that IT be informed that the test account is being used. IT should review and then purge the test database after each test and/or practice session	Implemented	Management agrees with the status.
26	B. Monitor and review the history of the test account to ensure there is no unauthorized activity in the test account.	Implemented	Management agrees with the status.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
26	C. Designate a non-finance administrative staff member with read-only rights to periodically test the automated accounting system for unusual activity.	Not Implemented	The Chairman of the Audit Committee will have this duty. Although this position has not been filled, **Management feels that this recommendation is Partially Implemented and will be Fully Implemented with this appointment.**
24.	**Insufficient policies related to computer access rights and tracking compromised the automated accounting system**		
27	A. Activate the tracking feature within the automated accounting system and limit access and change rights.	Partially Implemented	Management agrees with the status.
27	B. Require all requests for access and change rights be submitted in writing, be reviewed by IT and authorized by management.	Acceptable Alternative	Management agrees with the status.
27	C. Monitor access and change rights.	Partially Implemented	Management agrees with the status.
25.	**Policies on password security are inadequate**		
28	A. Establish a policy that all passwords are to be kept confidential.	Implemented	Management agrees with the status.
28	B. Establish a policy that all passwords are to be changed on a regular basis.	Implemented	Management agrees with the status.

PALM BEACH CONVENTION & VISITORS BUREAU
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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
26.	**Controls over voided checks are inadequate**		
28	A. Implement security controls over voided checks.	Implemented	Management agrees with the status.
27.	**Controls over check security are inadequate**		
29	A. Implement controls over the ordering of checks and not rely on assurances made by check companies.	Implemented	Management agrees with the status.
29	B. Establish procedures for the handling and safekeeping of checks.	Implemented	Management agrees with the status.
29	C. Determine whether the CVB has a potential legal claim against the check-printing company.	Implemented	Management agrees with the status.
29	D. Ensure checks are secure and that only authorized personnel have access to the checks.	Implemented	Management agrees with the status.
29	E. Keep checks in a safe and tightly monitor access to the safe. The safe should require two non-duplicatable keys for access.	Partially implemented	Management agrees with the status.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
29	F. Maintain a check log to be signed by both key holders when checks are accessed and identify the check numbers removed from stock.	Partially implemented	Management agrees with the status.
30	G. Update the log when checks are ordered and added to the stock.	Implemented	Management agrees with the status.
28.	**Financial activity is not reported to division directors**		
30	A. Create and distribute monthly financial activity reports for each of the division directors and vice presidents.	Implemented	Management agrees with the status.
29.	**Controls over use of corporate credit cards are inadequate**		
30	A. Require credit card bills be sent to the CVB's Accounting Department for direct payment rather than seeking reimbursement from CVB employees.	Implemented	Management agrees with the status.

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
31	B. Obtain an immediate account balance upon termination of an employee by accessing the employee's corporate credit card account and reviewing outstanding charges. Any personal charges should be deducted from the employee's final payroll check.	Implemented	Management agrees with the status.
31	C. Update the credit card acknowledgement form to include a "no personal use" provision. The policies and procedures should also be updated to reflect this.	Partially Implemented	Management agrees with the status.
30.	**Controls over mail opening and processing are inadequate**		
32	A. Establish a policy that requires mail be opened by a designated person having no access to bank accounts or financial records.	Implemented	Management agrees with the status.
32	B. Generate a log entry for each check received in the mail.	Implemented	Management agrees with the status.
32	C. Establish a policy requiring daily reconciliation of the mail log to the daily deposit slip by an employee with no access to cash or checks.	Acceptable Alternative	Management agrees with the status.

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Report Page No.	Recommendation	Status	Management Response
31.	**Procurement procedures are not specific**		
32	A. Develop written purchasing procedures detailing the use of comprehensive RFP's and sole source purchasing.	Implemented	Management agrees with the status.
32.	**There is no centralized travel booking**		
33	A. Establish a centralized travel-booking program to make all arrangements for CVB employees who are authorized to travel.	Not Implemented	Management agrees with the status. SPECIAL NOTE: Management realizes the value of this recommendation and will be researching this item in greater detail in the near future.
33.	**There is no centralized invoicing**		
33	A. Develop a centralized invoicing function.	Implemented	Management agrees with the status.
33	B. Develop an invoice and payment remittance tracking system.	Implemented	Management agrees with the status.
33	C. Develop policies and procedures on invoicing and remittance of payments.	Not Implemented	As stated in this report, accounting procedures and internal controls have been prepared, but not submitted for Board or TDC approval. Therefore, **Management feels that this recommendation is Partially Implemented.**

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SUMMARY OF RECOMMENDATIONS WITH RESPONSE

Report Page No.	Recommendation	Status	Management Response
34.	**There is no centralized purchasing**		
34	A. Establish a centralized purchasing system.	Partially Implemented	Management agrees with the status. SPECIAL NOTE: Management realizes the value of this recommendation and will be researching this item in greater detail in the near future.