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OKALOOSA COUNTY BOARD OF COUNTY COMMISSIONERS' OVERSIGHT OF THE TOURIST DEVELOPMENT COUNCIL AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS RECEIVED FROM BRITISH PETROLEUM

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF COUNTY COMMISSIONERS, COUNTY ADMINISTRATOR, CLERK OF THE CIRCUIT COURT, TOURIST DEVELOPMENT COUNCIL, AND EXECUTIVE DIRECTOR OF THE TOURIST DEVELOPMENT COUNCIL

The Okaloosa County Board of County Commissioners, County Administrator, Clerk of the Circuit Court, Tourist Development Council, and Executive Director of the Tourist Development Council who served during the period May 2010 through May 2012 are listed below:

Board of County Commissioners	District No.
Wayne Harris, Chair to 12-31-2010	1
John Jannazo to 11-15-2010	2
Dave Parisot from 11-16-2010, Vice Chair from 1-1-2012	2
Bill Roberts, Vice Chair from 1-1-2011 to 12-31-2011	3
Don Amunds, Vice Chair to 12-31-2010, Chair from 1-1-2012	4
James Campbell, Chair from 1-1-2011 to 12-31-2011	5

County Administrator

James D. Curry

Clerk of the Circuit Court

Don W. Howard

Tourist Development Council

Kathy Houchins, Chair from 10-1-2010
Robert "Bobby" Nabors, Vice Chair from 12-15-2010
Dennis "Nick" Nicholson, Chair to 9-30-2010
Warren Gourley, Vice Chair to 12-14-2010
Timothy M. Edwards
Patricia Hardiman
Larry Hines
Lino Maldonado
James Campbell, Board Liaison to 11-25-2011
Dave Parisot, Board Liaison from 11-26-2011

Executive Director of the Tourist Development Council

Darrel Jones to 5-31-2010
Mark Bellinger from 5-13-2010 to 5-4-2012 (Deceased)
Greg Donovan, Interim from 5-5-2012

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OKALOOSA COUNTY BOARD OF COUNTY COMMISSIONERS' OVERSIGHT OF THE TOURIST DEVELOPMENT COUNCIL AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS RECEIVED FROM BRITISH PETROLEUM

SUMMARY

Our operational audit of the Okaloosa County Board of County Commissioners' oversight of the Tourist Development Council and use of tourist development taxes and funds received from British Petroleum disclosed the following:

ORGANIZATIONAL OVERSIGHT

Finding No. 1: The Board of County Commissioners (BCC) did not establish annual budgets for expenditures from restricted resources at the level the resources were restricted, or project budgets for each advertising project and marketing campaign, to ensure that available resources were not overspent.

Finding No. 2: The Tourist Development Council (TDC) and TDC subcommittees performed duties that were not of an advisory nature, contrary to law.

Finding No. 3: The TDC did not continuously review all expenditures of tourist development taxes, contrary to law.

Finding No. 4: The County purchased goods and services from companies or organizations that were affiliated with members of the BCC, TDC, or a TDC subcommittee, contrary to law.

FRAUD CONTROLS AND CONTROL RISK ASSESSMENTS

Finding No. 5: The BCC had not adopted a fraud response plan, and the County did not perform periodic fraud risk assessments or establish action plans to implement and monitor fraud controls.

Finding No. 6: The County did not perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources to identify and respond to identified control risks.

PROCUREMENT OF GOODS AND SERVICES

Finding No. 7: The County did not consistently follow prescribed policies and procedures relating to the competitive procurement of goods and services, including the selection of two advertising and marketing firms.

Finding No. 8: The County negotiated and entered into contracts that did not contain adequate provisions to effectively protect the County's interests.

Finding No. 9: The County did not perform an adequate review or preaudit of invoices submitted by two advertising and marketing firms, including a comparison of payment requests to the provisions of contracts. As a result, the County paid two advertising and marketing firms $12.1 million without obtaining adequate documentation supporting the goods or services received, including payments of several invoices that incorrectly or inadequately described the actual goods or services purchased.

Finding No. 10: The County did not ensure that goods or services acquired through two advertising and marketing firms were competitively procured.

Finding No. 11: The County paid for certain goods and services in advance of their receipt, including certain goods and services acquired through two advertising and marketing firms, contrary to law and the State Constitution. Some services for which the County paid in advance were not subsequently provided.

Finding No. 12: The County did not consistently follow prescribed policies and procedures relating to the approval of purchases, including purchases made through two advertising and marketing firms.

Finding No. 13: **The County did not consistently follow prescribed policies and procedures relating to the use of purchasing cards (p-cards), document the receipt of goods and services purchased with p-cards that were not immediately provided to the purchaser, or document the public purpose served by the p-card expenditures.**

TRAVEL

Finding No. 14: **The County needed to enhance its policies and procedures to ensure that travel expenditures were preapproved and adequately documented.**

SPECIAL EVENTS GRANTS AND SPONSORSHIPS

Finding No. 15: **The BCC had not adopted written policies and procedures relating to special events grants, and the County did not document that the special events grants were used for allowable purposes or were effective in increasing tourism and the use of lodging facilities.**

Finding No. 16: **The BCC had not adopted written policies and procedures relating to sponsorships of organizations or events. In addition, the County did not consistently document the purpose for which the sponsorships were provided, that the sponsorships were used for allowable purposes, or that the sponsorships were effective in achieving the purposes for which they were provided.**

ALLOWABLE USES OF RESTRICTED RESOURCES

Finding No. 17: **The County paid $2.5 million from tourist development taxes for lifeguarding, beach patrol, and beach shuttle services that were not expressly authorized by law.**

Finding No. 18: **The County paid $117,994 for various goods and services from British Petroleum (BP) grant funds that were, in the past, paid from tourist development taxes, contrary to grant provisions.**

Finding No. 19: **As part of the Emerald Coast Money Debit Card Program, the County used $207,730 of BP grant funds for purposes that County records did not evidence were allowed by grant provisions.**

Finding No. 20: **The County overcharged BP $27,063 in connection with medical support services provided, and County records did not adequately support the allowability of $385,185 in reimbursements received from BP.**

MOTOR VEHICLES

Finding No. 21: **The County had not established adequate controls over the use of fuel cards.**

ACCOUNTING CONTROLS

Finding No. 22: **The County incorrectly classified and recorded certain expenditures in the accounting records, contrary to guidance provided by the Florida Department of Financial Services.**

ELECTRONIC FUNDS TRANSFERS

Finding No. 23: **The BCC had not adopted written policies and procedures, and the County had not established adequate controls, over the authorization and processing of electronic funds transfers.**

INFORMATION TECHNOLOGY CONTROLS

Finding No. 24: **The County had not established adequate controls over employee access privileges to data and information technology resources.**

PUBLIC RECORDS

Finding No. 25: **The County did not record minutes of a TDC and TDC subcommittee meeting, contrary to law. In addition, the minutes of the remaining meetings were not signed or otherwise designated to indicate the minutes were the official minutes approved by the TDC or TDC subcommittees.**

BACKGROUND

Section 11.45(3)(a), Florida Statutes, provides that the Auditor General may, pursuant to his or her own authority, or at the discretion of the Legislative Auditing Committee, conduct audits or other engagements of the accounts and records of any governmental entity created or established by law. In May 2012, the Auditor General received a request to perform an audit of the Okaloosa County Tourist Development Council (TDC) and Board of County Commissioners (BCC) with respect to the use of tourist development taxes and funds received from British Petroleum[1] (BP). Specific concerns expressed included a criminal investigation of the TDC and its former Executive Director relating to the likely misuse of public funds, including tourist development taxes and amounts paid by BP following the 2010 Deepwater Horizon Oil Spill[2]. Pursuant to Section 11.45(3)(a), Florida Statutes, we performed this operational audit.

Okaloosa County Tourist Development Council. The BCC created the TDC in 1986 by adopting County Ordinance No. 86-06. Pursuant to Section 125.0104(4)(e), Florida Statutes, the TDC' s primary purpose is to act in an advisory capacity to the BCC in matters relating to tourism and to review expenditures of tourist development taxes to ensure that they are made for authorized purposes. The TDC is composed of nine members appointed by the BCC and has an Executive Director employed by the County that manages the County's Tourist Development Department. Two TDC subcommittees, the Promotion Review Subcommittee and the Marketing Subcommittee, met during the period May 2010 through May 2012. These subcommittees were composed of the former TDC Executive Director and various appointed local business representatives.

The County accounted for its tourist development activities in the Tourist Development Special Revenue Fund and Convention Center Enterprise Fund. Table 1 summarizes the revenues received during the period May 2010 through May 2012 that were accounted for in these funds.

[1] Funds received from British Petroleum were pursuant to agreements with British Petroleum Exploration and Production, Inc., or British Petroleum PLC.

[2] On April 20, 2010, an explosion occurred on the mobile drilling platform Deepwater Horizon, located in the Gulf of Mexico approximately 130 miles southeast of New Orleans, Louisiana. Due to the threat that oil leaking from the drilling platform and well posed to the State of Florida, the Governor declared a state of emergency for certain counties, including Okaloosa County. In an effort to assist the State in paying the costs incurred in response to damages resulting from the explosion and oil spill, BP provided moneys to the State, certain local governments, and certain nonprofit organizations.

Table 1				
Revenue	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
Tourist Development Special Revenue Fund				
Tourist Development Taxes	$ 3,839,189.69	$ 6,288,548.04	$ 2,301,634.46	$12,429,372.19
Beach Restoration Municipal Services Benefit Unit	70,988.84	881,665.58	850,214.86	1,802,869.28
Florida Department of Transportation Mass Transit Grants	82,113.74	218,520.30	225,860.66	526,494.70
British Petroleum	2,121,939.00	8,073,065.00		10,195,004.00
Investments	11,612.56	43,539.52	205,360.23	260,512.31
Other	14,766.51	5,000.00	76,112.46	95,878.97
Total Tourist Development Special Revenue Fund	**6,140,610.34**	**15,510,338.44**	**3,659,182.67**	**25,310,131.45**
Convention Center Enterprise Fund				
Tourist Development Taxes	2,559,459.80	5,237,066.70	1,534,422.98	9,330,949.48
Charges for Services	384,373.68	720,598.20	457,489.93	1,562,461.81
Investments	15,378.72	104,165.90	73,531.93	193,076.55
Other	231.08	311.53	200.49	743.10
Total Convention Center Enterprise Fund	**2,959,443.28**	**6,062,142.33**	**2,065,645.33**	**11,087,230.94**
Total Revenues for Both Funds	**$ 9,100,053.62**	**$21,572,480.77**	**$ 5,724,828.00**	**$36,397,362.39**

Source: General Ledger

Tourist Development Taxes. A major source of revenue used by the County for tourism promotion was tourist development taxes. Of the total revenues shown in the table above, $21,760,321.67, or 59.8 percent, was tourist development taxes. Section 125.0104, Florida Statutes, governs how counties can assess and use tourist development taxes and allows counties to assess up to 6 percent of each dollar collected from rents of living quarters or accommodations in short-term (less than six months) facilities. This Section specifies how counties that assess tourist development taxes can use each percent of the tax and requires that counties assessing tourist development taxes establish county ordinances that specify how each percent of the tax will be used. The BCC assessed tourist development taxes of 5 percent and established ordinances governing the use of the tourist development taxes. Table 2 provides an analysis of tourist development taxes collected by the County during the period May 2010 through May 2012, showing collections by percent and ordinance restriction.

Table 2					
Percent Distribution	County Ordinance Use Restrictions	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
First Percent	Beach Restoration and Monitoring	**$ 1,279,729.89**	**$ 2,618,533.35**	**$ 767,211.49**	**$ 4,665,474.73**
Second and Fifth Percents	Tourism Promotion	1,433,297.49	2,055,208.23	859,276.86	4,347,782.58
Second and Fifth Percents	Tourism Administration	383,918.97	550,502.20	230,163.45	1,164,584.62
Second and Fifth Percents	Beach Improvement, Facilities, Landscaping, and Maintenance	691,054.15	990,903.97	414,294.20	2,096,252.32
Second and Fifth Percents	Contingency and Statutory Improvements	51,189.19	73,400.29	30,688.46	155,277.94
Total Second and Fifth Percents		**2,559,459.80**	**3,670,014.69**	**1,534,422.97**	**7,763,897.46**
Third Percent	Tourism Promotion	383,918.97	785,560.00	230,163.45	1,399,642.42
Third Percent	Beach Improvement, Facilities, Facilities Operations, Landscaping, and Maintenance	895,810.93	1,832,973.35	537,048.04	3,265,832.32
Total Third Percent		**1,279,729.90**	**2,618,533.35**	**767,211.49**	**4,665,474.74**
Fourth Percent	Convention Center Debt Service	**1,279,729.90**	**2,618,533.35**	**767,211.49**	**4,665,474.74**
Total		**$ 6,398,649.49**	**$ 11,525,614.74**	**$ 3,836,057.44**	**$ 21,760,321.67**

Source: General Ledger

Of the tourist development taxes collected, the first, second, and fifth percents were accounted for as revenues in the Tourist Development Special Revenue Fund. The third and fourth percents were accounted for as revenues in the Convention Center Enterprise Fund. The County generally used the tourist development taxes as follows:

- **First Percent**. To restore and monitor nine and one-half miles of County beaches, including the beaches within the Destin city limits.
- **Second and Fifth Percents**. To promote tourism, operate the Tourist Development Department, maintain beaches, and set aside moneys for contingencies.
- **Third Percent**. To promote and operate the Emerald Coast Convention Center (convention center).
- **Fourth Percent**. To pay debt service on revenue bonds issued to construct the convention center.

BP Funds. Table 3 provides a summary of funds received from BP during the period May 2010 through May 2012.

Table 3				
Type	5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
Negotiated Settlements				
Tourist Development Taxes Lost Revenues (1)	$	$ 1,567,052.00	$	$ 1,567,052.00
Water and Sewer Department Lost Revenues		110,345.57		110,345.57
Total Negotiated Settlements		**1,677,397.57**		**1,677,397.57**
Reimbursements				
BP Claims Reimbursements	**1,116,113.85**	**146,801.86**		**1,262,915.71**
Performance Based				
Emergency Medical Services Aid Stations	**634,041.00**			**634,041.00**
Grants				
Tourism Promotion (1)	750,000.00			750,000.00
Tourism Promotion (1)	1,371,939.00			1,371,939.00
Tourism Promotion (1)		6,506,013.00		6,506,013.00
Total Grants	**2,121,939.00**	**6,506,013.00**		**8,627,952.00**
Total	**$ 3,872,093.85**	**$ 8,330,212.43**	**$**	**$ 12,202,306.28**
Note (1): Total Received for Tourism Promotion	**$ 2,121,939.00**	**$ 8,073,065.00**	**$**	**$ 10,195,004.00**

Source: General Ledger

The County experienced a decline in tourism after the oil spill that impacted the receipt of tourist development taxes and water and sewer billings. As a result, the County filed claims with BP for lost revenues. BP subsequently negotiated a settlement of these claims and awarded the County $1,677,397.57. In addition, the County incurred expenditures related to beach monitoring and cleanup during the period immediately following the oil spill, and BP reimbursed the County $1,262,915.71 for these expenditures. BP also contracted with the County to provide Emergency Medical Services aid stations at locations specified by BP representatives to assist workers while performing monitoring and cleanup activities. The contract provided that the County would be paid at set rates per hour of service, and it received $634,041 for these services. After the cleanup, the County received three BP grants totaling $8,627,952 to help rebuild and promote area tourism. These grants could be spent on a wide variety of activities including advertising, promotions, special events, and other activities.

FINDINGS AND RECOMMENDATIONS

Organizational Oversight

The BCC is entrusted by the public with the proper and efficient administration of public funds. The Okaloosa County Clerk of the Circuit Court (CCC), as ex-officio clerk of the BCC, auditor, recorder, and custodian of all County funds, is responsible for preauditing expenditures to determine whether the expenditures are lawful and properly supported prior to payment. Additionally, pursuant to Section 125.17, Florida Statutes, the CCC is required to keep the BCC's minutes and accounts and perform such other duties as the BCC may direct. Further, the TDC is responsible for monitoring expenditures of tourist development taxes.

The BCC, TDC, and CCC did not exercise sufficient control over tourist development taxes or funds received from BP to ensure that expenditures of public funds were made in accordance with BCC intentions, grants, or contractual agreements, or were lawful, properly supported, and served a public purpose. Primary issues of concern relate to the failure to budget for and control expenditures at appropriate levels and the failure to obtain adequate support for invoices submitted for payment, especially those invoices related to contracts with two advertising and marketing firms. These and numerous other issues of concern are discussed in this report.

Finding No. 1: Budget Preparation and Monitoring

As discussed in the Background section of this report, all of the resources accounted for in the Tourist Development Special Revenue Fund and substantially all of the resources accounted for in the Convention Center Enterprise Fund were restricted for various specific purposes (e.g., tourism promotion, tourism administration, beach maintenance). However, the BCC did not adopt budgets for these restricted resources at the level of their restriction. To track the available balances of each percent of tourist development taxes, BP grant funds, and other resources at the level of their restriction, the CCC maintained a computerized spreadsheet of the revenues and expenditures at these levels. Although CCC personnel indicated that the spreadsheet was provided to the former TDC Executive Director, County records did not evidence that the spreadsheet was provided to the BCC.

As of May 31, 2012, the CCC's spreadsheet indicated that, although tourist development taxes were not overspent in total or at the total statutory percent levels noted in Table 2, the County had overspent the portion of the second and fifth percents of tourist development taxes that was restricted by ordinance for tourism promotion by $3.5 million. Likewise, the CCC's spreadsheet indicated that the County had overspent the portion of the third percent of tourist development taxes that was restricted by ordinance for tourism promotion by $689,000. As a result, funds restricted by ordinance for other purposes were used to promote tourism. CCC personnel stated that, although the spreadsheet

calculated available tourist development taxes at the ordinance restriction level, it was used primarily to ensure that tourist development taxes were not overspent in total or at the total statutory percent levels. The spreadsheet was not used by the CCC to reject invoices presented for payment when sufficient funds were not available at the ordinance restriction level.

The Tourist Development Department also engaged in various advertising projects and marketing campaigns to accomplish its goals and objectives. However, project-level budgets were not established, and expenditures were not consistently identified by project. Project budgets are an important tool in effectively allocating and managing available resources. They not only serve to control expenditures, but project budgets help to ensure that available resources are spent in accordance with applicable restrictions and BCC intentions. As noted in finding No. 8, the County could also more effectively monitor advertising and marketing expenditures by requiring that all vendor invoices be referenced to specific BCC-approved advertising projects and marketing campaigns.

In September 2012, the BCC adopted budget policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures require the TDC to submit an annual marketing plan to the BCC for approval and all expenditures to conform to the approved marketing plan. As of November 13, 2012, the 2012-13 fiscal year marketing plan had not been submitted to the BCC.

Recommendation: The BCC should adopt budgets to control expenditures from restricted resources at the level of their restriction and by each specific project funded by these restricted resources. Corresponding budgets should be incorporated into the accounting records to provide for the effective control of expenditures, and the BCC and TDC should perform periodic budget-to-actual comparisons. The CCC should reject invoices presented for payment when sufficient authorized funds are not available to pay for them.

Finding No. 2: TDC Duties and Responsibilities

As noted in the Background section of this report, the BCC created the TDC as an advisory council pursuant to Section 125.0104(4)(e), Florida Statutes. County ordinances and the TDC's operations and procedures manual in effect during the period May 2010 through May 2012 generally prescribed to the TDC only the advisory duties provided for in Section 125.0104(4)(e), Florida Statutes. However, our review of the actions taken by the TDC and TDC subcommittees disclosed that they performed certain duties that were not of an advisory nature. For example, we noted the following actions taken by the TDC or TDC subcommittees during the period May 2010 through May 2012 for which County records did not evidence BCC approval:

- On October 10, 2010, the TDC voted to give the former TDC Executive Director authority to spend up to $50,000 from BP grants to investigate and move forward with the use of three-dimensional and virtual reality technology for marketing purposes.
- On August 27, 2011, the TDC voted to designate $300,000 from BP grants for special events funding.
- On various dates, the TDC and TDC subcommittees approved the use of a total of $341,361.89 in tourist development taxes and BP grants to support special events in the County as further discussed in finding No. 15. In September 2012, the BCC approved revisions to the TDC's operations and procedures manual that allow the TDC to approve funding requests for special events.

When the TDC or TDC subcommittees authorize expenditures without BCC approval, the County is at an increased risk that expenditures will be made that are not in accordance with BCC intentions.

Recommendation: The BCC should implement policies and procedures to ensure that the TDC performs only those duties authorized by Section 125.0104(4)(e), Florida Statutes, and County ordinances.

Finding No. 3: TDC Monitoring of Expenditures

Section 125.0104(4)(e), Florida Statutes, requires the TDC to continuously review all expenditures of tourist development taxes and receive, at least quarterly, expenditure reports from the BCC or its designee. In addition, this Section requires the TDC to report expenditures it believes to be unauthorized to the BCC and the Florida Department of Revenue. In response to our inquiry, the TDC's legal counsel indicated that the TDC reviewed planned expenditures as part of the annual budget review and adoption process. However, the TDC did not regularly receive summary or detailed reports of expenditures of tourist development taxes. When timely, detailed expenditure reports are not provided to the TDC for review, the TDC cannot effectively carry out its responsibility to continuously review these expenditures, and the County is at an increased risk that unauthorized expenditures, such as those noted in finding No. 9, could be made and not timely detected by the TDC. In May 2012, the TDC began receiving monthly expenditure reports for its review.

Recommendation: The TDC should continue to strengthen its monitoring controls by ensuring that it timely receives and reviews detailed reports of expenditures of tourist development taxes as required by Section 125.0104(4)(e), Florida Statutes.

Finding No. 4: Conflicts of Interest

Pursuant to Section 112.313(3), Florida Statutes, no county employee acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, may either directly or indirectly purchase, rent, or lease any realty, goods, or services for the county from any business entity in which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor, or in which such officer or employee or the officer's or employee's spouse or child, or any combination of them, has a material interest. This Section further prohibits a county public officer or employee from acting in a private capacity to rent, lease, or sell any realty, goods, or services to the county or any agency thereof. Pursuant to Section 112.313(7)(a), Florida Statutes, no county public officer or employee may have or hold any employment or contractual relationship with any business entity or agency that is subject to the regulation of, or is doing business, with the county. This Section further prohibits a county public officer or employee from having or holding any employment or contractual relationship that will create a continuing or frequently recurring conflict between his or her public duties, or that would impede the full and faithful discharge of his or her duties. Section 112.313(1), Florida Statutes, defines a public officer to include any person elected or appointed to hold office in any agency, including any person serving on an advisory body.

County records supporting many purchases made through two advertising and marketing firms were inadequate to determine whether the payments were made to business entities or agencies that could potentially represent conflicts of interest pursuant to the laws noted above. However, based on available supporting documentation, we noted purchases during the period May 2010 through May 2012 that appear contrary to the laws noted above. For example, we noted the following purchases made through an advertising and marketing firm:

- The County paid $27,066.95 for sponsorships of a local chamber of commerce. A BCC member was, at the time, the executive director of the chamber of commerce.

- The County paid $17,500 for two companies to promote and advertise local volleyball tournaments. A TDC member was, at the time, an owner or director of these companies.
- The County paid $2,200 for a company to provide aerial advertising. A TDC Marketing Subcommittee member was, at the time, the president of the company.

Section 112.313(12), Florida Statutes, states that the requirements of Sections 112.313(3) and 112.313(7), Florida Statutes, as they relate to persons serving on advisory boards such as the TDC and TDC Marketing Subcommittee may be waived in a particular instance by the appointing body upon full disclosure of the transaction or relationship prior to the waiver and an affirmative vote in favor of waiver by a two-thirds vote of the appointing body. However, no such waivers were recorded in BCC or TDC meeting minutes.

Recommendation: The BCC should implement policies and procedures to ensure that future purchases of goods and services are not made from vendors in which a potential conflict of interest exists or that waivers of the requirements of Sections 112.313(3) and 112.313(7), Florida Statutes, as they relate to TDC and TDC subcommittee members, are granted and documented in accordance with Section 112.313(12), Florida Statutes.

Fraud Controls and Control Risk Assessments

Finding No. 5: Fraud Controls

An effective anti-fraud program is an important part of an organization's system of internal control. It can decrease the risk of fraud occurring in an organization and minimize the impact of fraud on an organization should it occur. Comprehensive fraud policies and procedures are an important part of an effective anti-fraud program. BCC policies and procedures in effect during the period May 2010 through May 2012 included a code of conduct, addressed unlawful and prohibited actions, and provided consequences for these actions. In addition, the BCC had adopted a whistleblower's protection policy that provided protection to individuals who reported known or suspected violations of statutes, rules, or regulations. However, these policies and procedures did not include a written fraud response plan that addressed investigation protocols and guidance on reporting known or suspected fraud to the appropriate authorities. Without a written fraud response plan, the County is at an increased risk that known or suspected fraud may not be investigated and reported in accordance with BCC intentions.

In addition to comprehensive fraud policies and procedures, an effective anti-fraud program includes periodic fraud risk assessments and fraud controls monitoring. In response to our inquiry, County personnel indicated that identifying and assessing fraud risks are routinely part of the continual monitoring and interaction of the County Administrator and CCC. County personnel also provided examples of recent risks identified and controls put in place to mitigate these risks. However, the County had not performed and documented periodic fraud risk assessments of the operations of each County department, including the Tourist Development Department. Such fraud risk assessments would provide greater assurance of identifying potential fraud risks that may be unique to each department. Once potential fraud risks are identified, written action plans that implement and monitor controls designed to mitigate these risks would provide greater assurance of preventing or detecting fraud.

Recommendation: The BCC should strengthen its anti-fraud program by adopting a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls.

Finding No. 6: Control Risk Assessments

As discussed in the Background section of this report, the County is responsible for collecting, accounting for, and making disbursements from restricted resources, including tourist development taxes and funds received from BP. Therefore, it is important that the County identify the control risks associated with these activities and develop internal controls to mitigate significant control risks identified. Performing periodic control risk assessments can help to identify and analyze these risks. Control risk assessments should involve a systematic identification of circumstances or events that could prevent the County's goals and objectives from being met, an assessment of the probability and significance of these circumstances or events, and a determination on the part of County management as to whether it is cost-beneficial to implement controls to prevent or detect these circumstances or events. As a practical matter, a formal control risk assessment could be performed and documented on an annual basis; however, as a good business practice, the control risk assessment process should be ongoing as new internal and external threats constantly develop.

Upon inquiry, County personnel indicated that they had not performed and documented a recent control risk assessment relating to the activities of collecting, accounting for, and making disbursements from restricted resources, including tourist development taxes and funds received from BP. Periodic control risk assessments would provide greater assurance of identifying potential control weaknesses, such as those noted throughout this report, and would help ensure that adequate internal controls are in place to minimize the risks that control weaknesses could adversely affect the County's operations.

Recommendation: The County should perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources, including tourist development taxes and funds received from BP.

Procurement of Goods and Services

Finding No. 7: Competitive Procurement by the County

County purchasing policies and procedures in effect during the period May 2010 through May 2012 required a minimum of three written quotes for nonexempt purchases (i.e., purchases that were not sole source, per State contract, etc.) in excess of $2,500 up to $50,000, and formal bids were required for nonexempt purchases in excess of $50,000. County purchasing policies and procedures that governed the selection of firms providing professional services required the following:

- The requesting department must seek BCC approval to distribute a request for proposal (RFP) and establish a selection committee to review the responses to the RFP, prioritize the contending firms, and negotiate an agreement with the selected firm;
- The selection committee's rankings of prospective firms should be based on the firm's capabilities, including ability, adequacy of personnel, past record, recent experience, current workload, and location; and
- The selection committee's recommended priority list must be presented to the BCC for approval prior to the commencement of negotiations with the selected firm.

Our test of six purchases made by the County during the period May 2010 through May 2012, totaling $134,260.41 and funded from tourist development taxes or BP grant funds, disclosed three purchases, totaling $68,650, for which three written quotes were not obtained. These purchases included $49,500 for production services at beach concerts, $12,800 for towing and deployment of a tug boat, and $6,350 for an artist to provide custom artwork for the

convention center. County personnel indicated the custom artwork was a sole source purchase, but they could not provide a sole source purchase data sheet that, per County purchasing policies and procedures, must be completed and attached to the purchase requisition.

In January 2011, the County issued an RFP for "marketing/advertising/public relations/Web site/research for the TDC, Emerald Coast Convention and Visitors Bureau, Inc., Okaloosa Film Commission, and Emerald Coast Convention Center." Prior to that time and through September 19, 2011, the County operated under an existing contract with an advertising and marketing firm that was negotiated prior to May 2010. Our review of the selection process of the firms that were awarded contracts based on their responses to the RFP disclosed that the County did not follow the purchasing policies and procedures noted above, as follows:

- The TDC did not obtain BCC approval to distribute the RFP or establish a selection committee to review the responses to the RFP, contrary to County purchasing policies and procedures. An initial evaluation committee composed of four TDC members, the former TDC Executive Director, and the General Manager of the convention center ranked the responses to the RFP and selected four firms to make subsequent presentations to the TDC. However, TDC records did not document the discussions or decisions of the initial evaluation committee.
- A final selection committee composed of seven TDC members and the former TDC Executive Director ranked the four firms based on their presentations. However, the ranking sheets provided for our review were not signed by the seven TDC members. In addition, only three of the seven ranking sheets listed the individual criteria evaluated by the selection committee, and these criteria were not the same as the criteria required by County purchasing policies and procedures. In April 2011, the TDC approved the former TDC Executive Director's recommendation to award contracts to two advertising and marketing firms ranked first and second on the ranking sheets. One of the two firms was the same firm already under contract with the County as previously discussed above. The selection committee's recommendation was not presented to the BCC for approval prior to the commencement of negotiations with the firms, contrary to County purchasing policies and procedures. Instead, negotiations with the firms were conducted by the former TDC Executive Director. Although the BCC approved the contracts, which were effective June 7, 2011, and September 20, 2011, respectively, the County's selection procedures were not followed.

Failure to adequately document the selection process for professional services, including the criteria used in each selection committee member's ranking and signed ranking sheets for each selection committee member, could expose the County to legal action should a firm wish to challenge the County's selection. In addition, failure to follow County purchasing policies and procedures regarding the selection of professional services puts the County at an increased risk that firms may be selected without the requisite qualifications and experience to address the County's needs.

Recommendation: The County should ensure that purchases are procured in accordance with County policies and procedures. In addition, the County should strengthen its procurement procedures to ensure that the selection process for the acquisition of professional services is documented and services are acquired pursuant to County purchasing policies and procedures. These procedures should require maintenance of documentation evidencing the basis for decisions made by selection committees and the signing of ranking sheets by each selection committee member.

Finding No. 8: Contract Design

As a matter of good business practice, contracts should be designed to effectively protect the interests of the contracting parties. Contracts should include specific information about the requirements of all contracting parties and avoid the use of ambiguous or undefined terminology. As discussed in finding No. 7, the County contracted with two advertising and marketing firms in 2011. The County's contractual relationship was such that the firms provided

total turn-key services for the County. Generally, the firms provided advertising management and artistic services and contracted with other vendors to deliver the actual services and products. The firms paid the other vendors and claimed reimbursement on invoices submitted to the County for payment. Each of the contracts with the firms detailed the scope of services to be provided, the compensation for these services, and various general provisions and requirements.

Our review of the 2011 advertising and marketing contracts with these firms disclosed that the contracts did not contain necessary provisions to protect the County's interests. We noted that the contract with one of the firms did not require the firm to submit cost estimates, obtain BCC approval prior to starting work on an advertising project or marketing campaign, or state the advertising project or marketing campaign with which invoices were associated. Neither contract required the firms to competitively procure goods and services in accordance with County purchasing policies and procedures. In addition, the firms were not required to submit invoices, including invoices from third-party vendors, in sufficient detail to allow for an effective preaudit to ensure the goods or services purchased were actually received and that the correct amounts were charged. The deficiencies in the design of both contracts may have contributed to the unauthorized and inadequately supported expenditures noted in finding No. 9.

The County also entered into an agreement with a contractor that assisted County personnel in responding to the oil spill. The County generally issued task orders to the contractor for specific services at specific amounts of compensation. However, we noted one task order that provided for various services to be compensated at "time plus expenses," and the task order did not specify the types or amounts of contractor expenses that would be reimbursed by the County. The deficiencies in the design of this contract may have contributed to the inadequately supported expenditures noted in finding No. 20.

Recommendation: The County should strengthen its procurement procedures to ensure that all contracts include provisions that specify the types and amounts of contractor expenses for which the contractor is to be reimbursed and require the contractor to submit sufficiently detailed invoices to allow for an effective County preaudit. Additionally the contracts for advertising and marketing services firms should include provisions to competitively procure goods and services in accordance with County purchasing policies and procedures, and require the firms to submit cost estimates, obtain BCC approval prior to starting work on an advertising project or marketing campaign, and state the advertising project or marketing campaign with which invoices are associated.

Finding No. 9: Contract Monitoring and Contract Payments

As discussed in finding Nos. 7 and 8, the County contracted with two advertising and marketing firms and made significant payments to the firms during the period May 2010 through May 2012 as indicated in the following table:

Table 4

5-1-10 to 9-30-10	10-1-10 to 9-30-11	10-1-11 to 5-31-12	Total
$ 1,603,223.05	$ 6,175,224.70	$ 4,929,601.44	$ 12,708,049.19

Source: General Ledger

Our review of the contracts with the firms and the related contract payments disclosed significant deficiencies in County procedures relating to contract monitoring and preauditing of contract invoices.

Contract Monitoring. The contracts with one of the firms provided that the firm would perform various services, including advertising, marketing, promotions, and public relations, for a specified monthly fee. Prior to September 20,

2011, this fee was $26,000 per month. Beginning on September 20, 2011, pursuant to a new contract, this fee was $38,400 per month, a 47.7 percent increase. Our review of the invoices submitted by the firm disclosed that County personnel did not effectively monitor contract payments to ensure that the invoices submitted were in accordance with provisions of the contracts. For example, in addition to the monthly fees noted above, the County paid the firm an additional $142,942.30 for the services of an integrated marketing associate and a sales/public relations associate. However, based on the description of services to be provided pursuant to the contracts, these services appear to be the types of services covered by the monthly fee, in which case the firm would not be entitled to the additional payments for services. In addition, during the period covered by the contract in effect prior to September 19, 2011, the firm was paid $3,351.23 for out-of-pocket expenses and $20,500 for social media management and support services although the contract did not provide for the firm to be paid for such expenses.

Support for Invoices. Our review of payments made by the County to the two advertising and marketing firms disclosed that payments totaling $12.1 million from tourist development taxes or BP grant funds were inadequately supported at the time the invoices were approved and paid. In many instances, the payment requests were only supported by invoices, with no supporting documentation of the services provided by the respective firms or invoices and documentation from third-party vendors that documented the goods or services they provided. In these instances, the County's records did not evidence how the purchases served a public purpose or that the purchases were allowable uses of restricted resources. Details concerning support for specific payments were provided to the County. Additional issues regarding related internal controls are discussed in finding Nos. 10, 11, 15, 16, 18, and 22.

Upon beginning our audit fieldwork, we became aware that a payment for promotion and advertising services had allegedly been misappropriated for the purchase of a house by the former TDC Executive Director. Our further review of supporting documentation for this transaction disclosed that the County paid $747,000 from BP grant funds for an item described on an advertising and marketing firm's invoice as "Boast the Coast National Television Campaign and Promotion." After the payment was made to the firm, the former TDC Executive Director instructed the firm, via e-mail, to wire the moneys to a designated bank account. The moneys were then used by the former Executive Director for the purchase of a house titled to a revocable trust for him and his wife.

The two advertising and marketing firms subsequently provided additional documentation to the County related to certain inadequately supported payments. While it was not practical for us, upon post-audit, to review all of the additional documentation provided to the County, we reviewed the documentation provided by the firms relating to certain payments, totaling $1.4 million, which we judgmentally selected based on amount, invoice description, or other factors. Our review of the documentation for the selected payments disclosed the following:

- Four payments, totaling $155,400, were paid to one firm on invoices that incorrectly or inadequately described the goods or services purchased. The goods or services purchased were not allowable expenditures of tourist development taxes or BP grant funds and included the following:
    - The County paid the firm $48,000 from tourist development taxes for an item described on the firm's invoice as a "prize for 2010-2011 Internet/viral video contest." The item actually purchased was a Porsche that was titled to the former TDC Executive Director.
    - The County paid the firm $47,000 from tourist development taxes for items described on the firm's invoice as "convention center marketing services." The items actually purchased included $19,620.69 in food and drinks in connection with a County Christmas party, a TDC holiday party, and a harbor cruise for employees. The remaining $27,379.31 of the $47,000 invoice was paid to a vendor that provided food services to the convention center. County personnel indicated that the moneys were paid to the vendor to establish a marketing fund for the purpose of promoting the vendor's off-premise catering sales on which the County receives a 17 percent commission. However, County records indicate that $5,000 of the moneys was donated to a local charity at the request of the former

TDC Executive Director; $576.50 was spent on a floral arrangement at one of the County's visitor centers; $640.50 was spent on cake pops as part of a welcome package to attendees at a local chamber of commerce luncheon; $244 was spent on alcoholic beverages, sodas, and water provided to band members who performed at the County Christmas party; and $207.76 was spent on vendor brochures. As of November 16, 2012, almost 13 months after the disbursement to the vendor, $20,710.55 of the moneys had not been spent.

While reviewing these expenditures, we identified other firm invoices and invoices paid directly to other vendors that, when combined with the $19,620.69 and $244 in food and drinks discussed above, showed that the County paid a total of $42,871.20 for the County Christmas party that included food and drinks, bar setup, cocktail reception and tables, stage décor, and entertainment; $3,921.77 for the TDC holiday party; and $991.72 for the harbor cruise.

- The County paid the firm $31,400 from tourist development taxes for what was described on the firm's invoice as "Harbor Walk/Destin Harbor Advertising." The $31,400 was actually used to purchase furniture for the Destin TDC office, except for three pieces of furniture, totaling $6,250, that were ultimately located in the former TDC Executive Director's home.
- The County paid the firm $29,000 from tourist development taxes for what was described on the firm's invoice as "Destin Harbor Marketing and Advertising." Upon inquiry by County personnel, firm personnel stated that the payment was invoiced at the former TDC Executive Director's request and that they did not know what the payment was for. The firm subsequently returned the moneys to the County.

- Nine payments, totaling $1.1 million, were paid to the two firms based on their invoices for goods or services provided to, or on behalf of, an airline company. According to descriptions provided on the invoices, the goods and services purchased included, but were not limited to, such items as advertising, monthly retainer fees, unspecified marketing and advertising initiatives, and out-of-pocket expenses. County records did not evidence a contract between the County and the airline company regarding these payments, how the payments benefited the County, or how the goods or services purchased were allowable uses of tourist development taxes or BP grant funds from which they were paid.
- Two payments, totaling $95,021.30, were paid to one firm from tourist development taxes for a branding reception to unveil a newly developed logo for the Emerald Coast and to discuss plans to brand the area to a national audience. The cost of the reception included $55,906.38 for audio-visual equipment and marketing services; $15,250.80 for event décor; $7,855 for media services; and $16,009.12 in labor, food, and beverages, including $2,898 in alcoholic beverages. County records did not evidence that these expenditures were reasonable or necessary or that the BCC had established guidance on the reasonableness or necessity of TDC expenditures.

When payments are made without adequate supporting documentation, the County is at an increased risk that expenditures do not serve an authorized public purpose, are unallowable uses of restricted resources, are not necessary and reasonable costs associated with an existing advertising project or marketing campaign approved by the BCC, or are not properly billed in accordance with contract provisions. Had County personnel who approved the payments, or CCC personnel who paid the invoices, required the firms to submit adequate supporting documentation to the County before the payments were made, the questioned billings noted above may have been detected and denied.

In May 2012, the BCC approved procedures that require a written task order be prepared and approved for all subsequent payments made to the firms. In June 2012, the BCC terminated the contracts with both firms effective September 30, 2012. In September 2012, the BCC adopted contract payment policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures provide that no invoice will be processed by the CCC without an approved task order and that no invoice will be approved unless the actual invoice from the provider of the goods or services has been received.

Recommendation: The County should continue to strengthen its monitoring and preaudit procedures to ensure that contract provisions are properly monitored and payments are supported by adequate documentation to allow for an effective preaudit. The County should also continue its efforts to obtain supporting documentation for payments made to the two advertising and marketing firms. In addition, the BCC, in consultation with its legal counsel, should determine whether the County is entitled to recover any questioned billings, and take appropriate action to recover such billings. Finally, the BCC should adopt written policies and procedures that provide guidance on the reasonableness and necessity of TDC expenditures.

Finding No. 10: Competitive Procurement by Contractors

As discussed in finding No. 7, County purchasing policies and procedures required competitive procurement for nonexempt purchases in excess of $2,500. County records supporting many payments made to two advertising and marketing firms were inadequate to determine whether the goods or services purchased should have been competitively procured pursuant to County purchasing policies and procedures. However, based on available supporting documentation, we noted certain goods and services purchased through the firms that should have been competitively procured, but were not. For example, we noted the following:

- The County purchased a yacht for $710,000. County records did not evidence that formal bids were obtained for this purchase.
- The County purchased three motor vehicles (two automobiles and a sports utility vehicle) for $129,809, each costing less than $50,000. County records did not evidence that three written quotes were obtained for these purchases.
- The County purchased 508 beach towels for $8,832. County records did not evidence that three written quotes were obtained for this purchase.

County personnel indicated the goods and services purchased through the firms were not competitively procured, and the County relied on the firms to obtain the goods or services at the lowest cost consistent with acceptable quality. As noted in finding No. 8, the 2011 contracts with the firms did not require the firms to competitively procure goods and services in accordance with County purchasing policies and procedures. Given that over $12 million was expended for goods and services acquired through the firms, failure to use a competitive procurement process in accordance with County purchasing policies and procedures resulted in limited assurance that the costs of the goods and services were competitive and reasonable.

Recommendation: The County should ensure that goods and services purchased through contractors are competitively procured in accordance with County purchasing policies and procedures.

Finding No. 11: Advance Payments

Pursuant to Article VII, Section 10, of the State Constitution, the County may not become a joint owner with, or stockholder of, or give, lend, or use its taxing power or credit to aid any corporation, association, partnership, or person. As noted by the Attorney General in various opinions[3], the purpose of this provision is "to protect public funds and resources from being exploited in assisting or promoting private ventures when the public would be at most incidentally benefited." Section 28.235, Florida Statutes, provides that the CCC can make advance payments on behalf of the County for goods and services pursuant to rules or procedures adopted by the State Chief Financial

[3] For example, see Attorney General Opinion No. 2012-26.

Officer (CFO) for advance payment of invoices submitted to State agencies. The CFO established such rules and procedures in the *Reference Guide for State Expenditures,* which provides that advance payments may be made if the payments result in a savings that is equal to or greater than the amount that would be earned by investing the funds and paying later, or if the payments are essential to the operations of the agency and the goods or services are available only if advance payment is made.

Our tests of 14 advance payments made during the period May 2010 through May 2012, totaling $399,885.52 and funded from tourist development taxes or BP grant funds, disclosed 6 advance payments for goods or services, totaling $118,166.66, that County records did not evidence met the CFO criteria. These included, for example, 4 payments totaling $80,000 made to local chambers of commerce for tourism-related services that were paid at the beginning of the fiscal years in which the services were provided.

County records supporting many payments made to two advertising and marketing firms were inadequate to determine whether the payments were advance payments. However, based on available supporting documentation at the time of payment and additional documentation subsequently obtained by the County, we noted several advance payments to the firms for which County records did not evidence met the CFO criteria. Further, the County overpaid for, or did not receive, certain services that were paid for in advance. For example, we noted the following:

- The County paid $24,001 from BP grant funds in advance to one firm for a driver to transport a recreational vehicle to promotional events and for certain expenses associated with the driver's travel costs. The County paid for the driver to provide 123 days of services at $187 per day plus $1,000 in expenses. However, a travel schedule provided for our review that County personnel indicated was the only known support for the driver's services showed a potential of only 43 days of services and $1,000 in expenses, resulting in an overpayment of $14,960. County personnel indicated the County is attempting to recover these funds.
- The County paid $38,400 from BP grant funds in advance to one firm for the services of a promotional spokesman. The County paid for the spokesman to provide 32 days of services at $1,200 per day. However, County records indicated that the spokesman only provided 23 days of services, resulting in an overpayment of $10,800. County personnel indicated the County is attempting to recover these funds.
- The County paid $25,000 from tourist development taxes in advance to one firm for a musical group to perform concerts. However, the County subsequently determined that no concerts were performed or were planned in the future, and County personnel indicated the County is attempting to recover these funds.

CCC personnel indicated that they attempted to identify and deny requests for advance payment not authorized by Florida Statutes; however, they did not identify and deny the above requests for advance payment. In addition, the County did not have procedures in place to ensure that advance payments met the CFO criteria and that goods and services paid for in advance were subsequently received or that appropriate amounts were refunded. Notwithstanding legal requirements relating to advance payments, when goods and services are unnecessarily paid for in advance of their receipt, the County is at an increased risk that the goods or services may not be provided, and the County's recourse may be limited should disagreements arise between the County and the vendor. In September 2012, the BCC adopted policies and procedures as part of the TDC's operations and procedures manual that require all advance payments to be specifically approved by the BCC.

Recommendation: The County should continue to strengthen their purchasing procedures to ensure that advance payments are approved and paid only if the payments result in a savings that is equal to or greater than the amount that would be earned by investing the funds and paying later, or if the payments are essential to the County's operations and the goods or services being paid for are available only if advance payment is made. Additionally, the County should establish procedures to ensure that goods or services paid for in advance are either subsequently received by the County or a refund of the overpayment is pursued. Further, the County should continue its efforts to recover the questioned payments noted above.

Finding No. 12: Approval of Purchases

County purchasing policies and procedures required that noncontract purchases under $25,000 be approved by the issuing department head and the Purchasing Director; purchases between $25,000 and $50,000 be approved by the issuing department head, the Purchasing Director, and the County Administrator; and purchases in excess of $50,000 be approved by the BCC. Contract progress payments under $25,000 were required to be approved by the issuing department head, and contract progress payments over $25,000 were required to be approved by the County Administrator.

Our test of 45 purchases, totaling $1.2 million and funded from tourist development taxes or BP grant funds, disclosed 3 purchases (6.7 percent), totaling $53,730, that were not approved by one or more required employees, contrary to County purchasing policies and procedures. These payments included a $49,500 payment for production services at beach concerts, a $2,430 payment for promotional golf caps, and an $1,800 payment for two tables of ten people at a dinner and silent auction for a charitable organization. According to County personnel, the reasons why the payments were not approved varied. For example, the rigging and production services were not procured through the Purchasing Department but were directly purchased by an employee, contrary to County purchasing policies and procedures. Therefore, the Purchasing Director's approval was not obtained.

We also scanned the payments made to two advertising and marketing firms and noted that the BCC Chairman was permitted to approve certain purchases rather than the County Administrator, contrary to County purchasing policies and procedures. Upon inquiry, the County Administrator indicated that he was unaware of any formal action taken by the BCC specifically authorizing a change in the responsibilities for expenditure approvals, but that there may have been an assumption that the BCC Chairman was authorized to approve the expenditures since the former TDC Executive Director reported directly to the BCC Chairman.

When payments are not approved as required by County purchasing policies and procedures, the County is at an increased risk that it will pay for unallowed or inadequately supported expenditures. In February 2012, the County eliminated the practice of allowing the BCC Chairman to approve expenditures rather than the County Administrator.

Recommendation: The County should ensure that required approvals are obtained for all purchases in accordance with County purchasing policies and procedures.

Finding No. 13: Purchasing Card Controls

The County provided purchasing cards (p-cards) to approved employees in an effort to efficiently and effectively process and expedite low dollar purchases of goods and services, and the County established policies and procedures to provide guidelines on the proper use of these cards. Our review disclosed that improvements were needed in the design and monitoring of County p-card policies and procedures, as follows:

- County p-card policies and procedures required that departments review p-card expenditures to ensure goods and services obtained were necessary and appropriate. However, these policies and procedures did not specify who was required to approve the expenditures. County records did not evidence that the former TDC Executive Director's p-card expenditures were approved by another employee.
- County p-card policies and procedures required the p-card user and reviewer to sign a preprinted statement on monthly p-card expenditure reports certifying that they reviewed the expenditure report, that it correctly reflects the supporting receipts, and that all purchases made were for official County business and in accordance with applicable rules and directives. However, we noted that the preprinted statement did not appear on many of the expenditure reports.

- County p-card policies and procedures required that employees receiving p-cards sign certification and receipt forms documenting that the employees accepted the terms and conditions for the use of the p-cards. Although requested, we were not provided 2 of 17 p-card certification and receipt forms we selected for testing. Of the 15 forms we were provided, 5 forms were dated subsequent to our request, and 5 forms were not dated (i.e., there was no indication that the employees signed the agreements prior to receiving their p-cards).

During the period May 2010 through May 2012, the County paid $600,000 in p-card expenditures from tourist development taxes or BP grant funds. Our tests of 60 such expenditures, totaling $37,000, disclosed the following:

- 25 of 60 purchases (41.7 percent), totaling $18,324.05, were for goods or services not immediately provided to the purchaser (e.g., internet or phone orders), and County records did not evidence that the purchaser subsequently acknowledged that the goods or services were received.
- 28 of 60 purchases (46.7 percent), totaling $14,680.37, were not supported by detailed receipts or explanations that clearly documented the public purpose of the expenditures. These purchases are included on Exhibit B.

In the absence of an independent review and approval of p-card transactions, certification statements from the p-card user and reviewer, timely completed certification and receipt forms, documentation that goods or services were received, and detailed receipts and explanations as to the purpose of the expenditures, the County is at an increased risk that expenditures may be made that are not in accordance with County p-card policies and procedures or that do not serve an authorized public purpose.

Recommendation: The County should strengthen its p-card policies and procedures to ensure that an independent review and approval is documented for all purchases; that employees and reviewers certify they reviewed the applicable p-card expenditure report, that it correctly reflects the supporting receipts, and that all purchases made were for official County business and in accordance with applicable rules and directives; that p-card certification and receipt forms are timely signed by employees; that employees acknowledge the receipt of goods and services; and that County records evidence the authorized public purpose served by the expenditures.

Travel

Finding No. 14: Travel Expenditures

Section 112.061, Florida Statutes, generally provides travel requirements for public officers, employees, and other authorized persons, and requires that all authorized travelers submit travel voucher forms when submitting travel expenditures for approval and payment. The travel voucher form should state the purpose of the travel. It should also include a certification signed by the traveler indicating the truth and correctness of the claim in every material matter, the travel expenses were necessary and incurred by the traveler in the performance of his or her official duties, the per diem claimed was reduced for any meals or lodging included in the convention or conference registration fees claimed by the traveler, and the voucher conforms in every respect with the requirements of Section 112.061, Florida Statutes. Pursuant to Section 125.0104(9), Florida Statutes, the TDC is also authorized and empowered to make expenditures for transportation, lodging, meals, and other reasonable and necessary items and services for such persons, as determined by the head of the TDC, in connection with the performance of promotional and other TDC duties. Complete and detailed justification for all travel and entertainment-related expenditures made pursuant to Section 125.0104(9), Florida Statutes, are also required to be shown on travel vouchers or attachments to the travel vouchers.

The BCC established various policies and procedures governing travel, including a requirement in the TDC operations and procedures manual that TDC employees and members obtain preapproval for travel. However, CCC personnel indicated they did not routinely verify that travel of TDC employees and members was preapproved. County policies and procedures did not require that travel of other authorized persons (e.g., contracted employees, travel writers, and tour brokers performing promotional and other duties) be preapproved. In the absence of the preapproval of travel, the County is at an increased risk that unauthorized or unnecessary travel expenditures may be incurred.

County personnel classified and recorded $113,000 in travel expenditures during the period May 2010 through May 2012 paid from tourist development taxes or BP grant funds. As similarly noted in finding No. 22, additional travel expenditures were incorrectly classified and recorded under other object codes. As a result, the total amount of travel expenditures incurred during the period was not readily quantifiable using the County's accounting records. Our review of selected expenditures recorded as travel noted above, as well as selected misclassified travel expenditures we noted during other testing, indicated that the County paid $41,225.32 in travel-related expenditures that were not supported by travel vouchers.

In the absence of properly completed and signed travel vouchers, the County is at an increased risk that unallowed or unjustified travel expenditures may be incurred. For example, we noted that the County paid $1,151.80 in airfare for a candidate interviewing for an open sales position at the convention center. The Director of Human Resources had previously informed the former TDC Executive Director that the County would not pay for these travel costs. However, at the former TDC Executive Director's direction, the travel costs were subsequently paid by one of the advertising and marketing firms and invoiced back to the County.

Recommendation: The County should strengthen its procedures to ensure the preapproval of travel expenditures for all authorized persons and the use of properly completed and signed travel vouchers to support all travel expenditures and entertainment-related expenditures pursuant to law.

Special Events Grants and Sponsorships

Finding No. 15: Special Events Grants

To increase tourism and the use of lodging facilities in the County, the TDC and TDC Marketing Subcommittee awarded $341,361.89 in special events grants paid from tourist development taxes or BP grant funds during the period May 2010 through May 2012. These grants were awarded to groups or organizations that planned, coordinated, or managed special events that were expected to benefit area tourism. Examples of special events grants awarded included $32,000 for the Florida State H.O.G. Rally, $17,740 for the Emerald Coast Poker Run, and $2,400 for the Greater Gulf Coast Beer Festival.

The BCC had not developed written policies and procedures addressing the criteria used to award special events grants, the methodology for calculating the amounts of the grants, the persons authorized to approve the grants, or the responsibilities of grant recipients to document that the grants were used for allowable purposes. In practice, the TDC and TDC Marketing Subcommittee awarded the grants in advance of the special events by approving written requests for funding received from groups or organizations. The TDC did not require grant recipients to sign a written agreement acknowledging the terms and conditions of the grants, provide documentation of expenses to evidence that the grants were used for allowable purposes, or provide evidence that the special events were effective in increasing the use of lodging facilities. In the absence of written agreements, the BCC's legal recourse may be limited should disagreements arise with the grant recipients. In addition, without an accounting of how the grants

were used and the amount of the increase in the use of lodging facilities that resulted from the special events, the County had no assurance that the grants were used for allowable purposes or were effective in increasing the use of lodging facilities.

In September 2012, the BCC adopted special events grants policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures included the criteria for awarding grants, the persons responsible for approving the grants, authorized and unauthorized uses of the grants, and a requirement that the grant recipients subsequently document expenses and the increase in the use of lodging facilities. However, the policies and procedures did not address the methodology for calculating the amounts of the grants or require that the grant recipients sign a written agreement acknowledging the terms and conditions of the grants.

Recommendation: The BCC should continue to strengthen its special events grant policies and procedures by addressing the methodology for calculating the amounts of the grants and requiring grant recipients to sign a written agreement acknowledging the terms and conditions of the grants.

Finding No. 16: Sponsorships

In addition to the special events grants discussed in finding No. 15, the County paid for sponsorships to support various organizations or events. The sponsorships were generally approved by the former TDC Executive Director. However, County records did not evidence the sponsorships were approved by the BCC.

Our review of selected expenditures disclosed $478,471.95 in sponsorships paid from tourist development taxes or BP grant funds during the period May 2010 through May 2012. Examples of the sponsorships paid included $10,000 to the Horizons Foundation of Okaloosa County, $9,000 to the Fisher House of the Emerald Coast, and $500 to the Fort Walton Beach Rotary Club.

The BCC had not developed written policies or procedures addressing sponsorships, and the purpose of sponsorships was not consistently documented in County records. Sponsorship recipients were not required to sign a written agreement acknowledging the terms and conditions of the sponsorship, provide documentation evidencing how the sponsorship moneys were used, or provide evidence that the sponsorships were effective in achieving their intended purpose. In the absence of written agreements, the BCC's legal recourse may be limited should disagreements arise with sponsorship recipients. In addition, without an accounting of how the sponsorships were used and a means to determine whether the sponsorships were effective in achieving their purpose, the County cannot demonstrate that the sponsorships were used for allowable purposes or were effective in achieving their purpose.

In September 2012, the BCC adopted sponsorship policies and procedures as part of the TDC's operations and procedures manual. These policies and procedures provided that sponsorships of community, civic, cultural, or other organizations may be authorized by the BCC, upon recommendation from the TDC, to promote and attract increased tourism or enhance and develop the use of the convention center. However, the policies and procedures did not address the methodology for calculating the amounts of the sponsorships, address the responsibilities of the sponsorship recipients to document that the sponsorships are used for allowable purposes, or require sponsorship recipients to sign a written agreement acknowledging the terms and conditions of the sponsorships.

Recommendation: The BCC should continue to strengthen its sponsorship policies and procedures by addressing the methodology for calculating the amount of sponsorships, requiring sponsorship recipients to sign a written agreement acknowledging the terms and conditions of the sponsorships, and requiring sponsorship recipients to provide documentation evidencing how the sponsorship moneys were used and that the sponsorships were effective in achieving their intended purpose.

Allowable Uses of Restricted Resources

Finding No. 17: Tourist Development Taxes – Statutory Compliance

As discussed in the Background section of this report, Section 125.0104, Florida Statutes, governs the use of tourist development taxes and indicates the various purposes for which they may be used. This Section further provides that any use of tourist development taxes not expressly authorized is prohibited. During the period May 2010 through May 2012, the County paid $1,912,095.68 from tourist development taxes to fund a portion of lifeguarding and beach patrol services provided by the City of Destin Fire Department and the Okaloosa County Beach Safety Department. Section 125.0104, Florida Statutes, does not expressly authorize such expenditures as allowable uses of tourist development taxes.

In response to our inquiries, County personnel provided three opinions from legal counsel indicating that tourist development taxes may be used to fund lifeguard and beach patrol services, provided that the BCC makes a legislative determination that the primary purpose of these services is related to either promoting tourism within the County or the improvement or enhancement of beach facilities. However, in Attorney General Opinion No. 90-55, dated July 23, 1990, the Attorney General concluded that tourist development taxes may not be used to fund lifeguarding services or general governmental functions owed to the public at large.

During the period May 2010 through May 2012, the County also used $564,000 in tourist development taxes to fund a portion of the County's beach shuttle service. Section 125.0104, Florida Statutes, does not expressly authorize such expenditures as allowable uses of tourist development taxes. As part of its tourist development plan in effect during the period May 2010 through May 2012, the BCC concluded that providing beach shuttle services was a proactive step to reduce seasonal tourism traffic congestion and encourage efficient and environmentally friendly transportation choices, established a permanent and dependable connection between the beaches and adjacent tourist destinations, and was necessary to promote the convention center and provide an alternate mode of access thereto. However, transportation services are a general government function owed to the public at large and, as such, do not appear to be an allowable use of tourist development taxes. Beginning with the 2012-13 fiscal year, the BCC funded the beach shuttle services from other revenue sources.

Recommendation: The County should seek an opinion from the Attorney General as to the allowability of the $2,476,095.68 of questioned expenditures and, if appropriate based on the Attorney General's opinion, should restore this amount to the tourist development taxes accounts.

Finding No. 18: BP Grant Funds – Grant Compliance

As discussed in the Background section of this report, the County received funds from BP after the oil spill to help rebuild and promote area tourism, including a $6,506,013 grant through Florida's Coastal Northwest Communications Council, Inc. (FCNCC). Pursuant to the grant agreement, these funds were intended to be used for promotion and

awareness building expenditures not already planned or that would not normally be made to promote tourism (i.e., for expenditures to procure goods or services not previously paid with tourist development taxes).

County records supporting many payments made to the two advertising and marketing firms were inadequate to determine whether the payments to the firms were already planned or would normally be made to promote tourism. However, based on available supporting documentation, we noted certain goods and services purchased with the BP grant funds noted above that were for goods or services previously paid for by the County with tourist development taxes. For example, we noted expenditures totaling $61,000 in routine monthly fees paid to one firm from BP grant funds that were for services previously paid with tourist development taxes. Likewise, we noted expenditures totaling $56,994 in special events grants paid to one firm from BP grant funds that were previously paid with tourist development taxes. County personnel indicated that the former TDC Executive Director was allowed to use his judgment in determining the funding source for these expenditures. As the above expenditures, totaling $117,994, were for goods or services previously paid with tourist development taxes, these expenditures represent questioned costs subject to disallowance by the grantor.

Recommendation: The County should consult with the FCNCC as to the allowability of the $117,994 in questioned costs.

Finding No. 19: BP Grant Funds – Grant Compliance and Controls over Debit Card Program

Funds received from BP by the County after the oil spill to help rebuild and promote area tourism included a $1,371,939 grant through the FCNCC. The BCC approved the use of $1,000,000 from this grant to conduct the Emerald Coast Money Debit Card Program (Program). The Program provided that 5,000 debit cards, each worth $200, would be given to guests that paid for a minimum two-night stay at preapproved lodging facilities located in Destin, Fort Walton Beach, Okaloosa Island, Mary Esther, or Cinco Bayou. County records related to the Program indicated that the majority of the debit cards appear to have been issued to guests at lodging facilities as intended. However, we noted deficiencies in the controls over the Program as discussed below.

The Program provided that guests would obtain debit cards by presenting identification and qualifying paid receipts from lodging facilities to the Emerald Coast Visitor's Center. County records indicated that 3,651 debit cards, totaling $730,200, were issued for this purpose. However, our test of the issuance of 60 of the 3,651 debit cards disclosed that for 6 debit cards (10 percent), totaling $1,200, including 2 debit cards that were issued to the former TDC Executive Director, supporting documentation did not include a qualifying paid receipt from a lodging facility. For these 6 debit cards, County records did not demonstrate that the debit cards were issued pursuant to the approved Program and, as such, the $1,200 represents questioned costs subject to disallowance by the grantor.

The former TDC Executive Director controlled the distribution of the remaining 1,349 debit cards, totaling $269,800, of which 302 debit cards were either not used or County records did not evidence how they were used. However, County records evidenced that 1,047 debit cards were not issued pursuant to the approved Program as follows:

- 1,000 debit cards totaling $200,000 were issued to an airline company. However, the County did not have a written agreement with the company stating the purpose for which the debit cards were issued.
- 46 debit cards were partially used by individuals, including the former TDC Executive Director, to purchase a variety of goods and services totaling $6,330.45. These goods and services included such items as furniture and furnishings, lodging, food and drinks, alcoholic beverages, tips, entertainment, gas, sales taxes, and other unspecified items.
- One debit card was used as a prize in a local golf tournament.

County records did not evidence that the above purchases and uses were allowable uses of the grant funds. As such, these purchases and uses totaling $207,730.45 represent questioned costs subject to disallowance by the grantor.

Recommendation: The County should consult with the FCNCC as to the allowability of the $207,730.45 in questioned costs.

Finding No. 20: BP Claims and Reimbursements

During the aftermath of the oil spill, BP contracted with the County to provide four land-based medical aid stations for clean-up crews working along the beaches. BP paid the County $634,041 for these services based on a Medical Services Support Agreement that provided hourly rates to be paid for the various services provided at each station. Our tests of invoices submitted to BP by the County disclosed errors in the rates used and calculations made by County personnel. For example, the County invoiced BP for an ambulance at one of the stations at a rate of $100 per hour when the agreement provided for a rate of $50 per hour, resulting in an overcharge of $27,062.50. County personnel indicated that they used the rate of $100 per hour since it was the rate listed in the County's emergency medical services fee schedule and was the same rate listed in the agreement for the other stations.

BP also entered into a Deepwater Horizon Funding Agreement (Agreement) with the Florida Division of Emergency Management through which the County could request reimbursements from BP for costs it incurred in responding to the oil spill. The Agreement required the County to include complete documentation, including invoices, checks, and proof of payment with its requests for reimbursement, and subsequent guidelines indicated that BP would generally reimburse the costs of increased or additional public services, response and removal costs, and lost revenues as a direct result of the oil spill. The County received $1,262,915.71 in reimbursements from BP, of which $981,447.70 (77.7 percent) related to payments the County made to a contractor that assisted County personnel in responding to the oil spill. We reviewed selected documentation supporting the reimbursements the County received from BP for the payments made to the contractor and noted certain costs that were inadequately supported or were for goods and services not clearly related to increased or additional public services, response and removal costs, or lost revenues. For example, we noted the following:

- The County received reimbursements, totaling $370,208, for wages paid to the contractor's employees. However, the County did not require the contractor to provide time cards or work logs to support the number of hours used to calculate wages.
- The County received reimbursements for rental fees, totaling $6,122.36, for boats rented by the contractor. However, the County did not require the contractor to provide invoices from the boat owners to support the rental fee amounts.
- The County received reimbursements, totaling $3,199.04, for purchases made at restaurants and convenience stores. However, the County did not require the contractor to provide invoices or receipts indicating the items purchased and, in some cases, the person(s) that received or consumed them. As a result, County records did not evidence that the items purchased were necessary and allowable costs related to the response to the oil spill.
- The County received reimbursements, totaling $5,655.23, for various goods or services for which County records did not evidence were necessary and allowable costs incurred by the contractor in responding to the oil spill. These goods and services included such items as an alcoholic beverage, personal hygiene products, prescription drugs, over-the-counter medications, out-of-state lodging and car rental, and airfare to and from locations outside the County.

County personnel indicated that they obtained the best available supporting documentation for the contractor's expenses under the circumstances, provided that support to BP, and BP approved the expenditures as reimbursable

costs. Although BP reimbursed the County for these expenditures, the above reimbursements, totaling $385,184.63, were not supported by documentation required by the Agreement.

Recommendation: For future reimbursement agreements, the County should ensure that reimbursement requests are made pursuant to terms of the agreements, including submission of required supporting documentation.

Motor Vehicles

Finding No. 21: Fuel Cards

The County issued fuel cards for use in its vehicles, including those vehicles assigned to the Tourist Development Department and the convention center, and the Fleet Operations Department was responsible for compiling the monthly fuel charges invoiced by vendors and allocating the fuel charges to user departments. User departments were then responsible for reconciling the monthly fuel charges to gas receipts submitted by employees.

During the period May 2010 through May 2012, the Tourist Development Department and the convention center were charged $24,146.86 for fuel purchased using fuel cards. Our review of these charges and the procedures used by County personnel to ensure the propriety of these charges disclosed the following deficiencies:

- The Fleet Operations Department generated exception reports, by vehicle, to identify unusual fuel consumption. However, the parameters for generating exceptions on these reports were default parameters of the tracking software and were not reasonable. For example, the fuel limits for vehicles assigned to the Tourist Development Department and the convention center ranged from 250 to 400 gallons per day and 900 to 1,050 gallons per week. When such high parameters are used for generating exceptions, the County is at an increased risk that unusual fuel consumption will not be detected.
- All six user department reconciliations of fuel card charges to gas receipts that we reviewed were not signed by the employees that prepared the reconciliations, and County records did not evidence that supervisory personnel reviewed and approved the reconciliations. In the absence of this information, County records did not evidence that the reconciliations were performed or reviewed and approved by an individual that did not use the fuel cards assigned to the departments' vehicles.
- Gas receipts for $3,672.25 (79.3 percent) of $4,628.43 in fuel charges that we reviewed were not retained by the user departments. County personnel indicated that the gas receipts may have been lost, destroyed, or not turned in by employees. In the absence of gas receipts, the County cannot demonstrate that fuel charges invoiced by vendors were accurately billed, and user departments cannot demonstrate that fuel costs charged to their departments were accurately allocated.

Recommendation: The County should strengthen its vehicle usage procedures to include more reasonable fuel consumption parameters, the effective use of fuel card exception reports and user department reconciliations of fuel charges to gas receipts, and the retention of all gas receipts by user departments.

Accounting Controls

Finding No. 22: Classification and Reporting of Expenditures

Section 218.32, Florida Statutes, requires that local government reporting entities submit annual financial reports to the Florida Department of Financial Services (DFS). Section 218.33, Florida Statutes, provides that the DFS shall make reasonable rules and regulations regarding uniform accounting practices and procedures by local governmental

entities, including a uniform classification of accounts, as it considers necessary to assure the use of proper accounting and fiscal management techniques. To that end, the DFS developed a *Uniform Accounting System Manual for Florida Counties (Manual)* to be used as the standard for classifying and recording financial information. The *Manual* provides for expenditures to be recorded and reported using object (e.g., personnel expenses, operating expenses, capital outlay) and sub-object (e.g., salaries and wages, professional services, machinery and equipment) codes to identify the types of the expenditures.

Our tests of 60 purchasing card transactions, totaling $37,000 and funded from tourist development taxes or BP grant funds, disclosed 5 transactions (8.3 percent), totaling $4,180.68, that were incorrectly classified and recorded by object or sub-object codes. Additionally, County records supporting many payments made to the two advertising and marketing firms were inadequate to determine whether the payments were classified and recorded correctly. However, based on available supporting documentation at the time of payment and additional documentation subsequently obtained by the County, we noted several payments to the firms that were incorrectly classified and recorded by object or sub-object codes. Examples of payments that were incorrectly classified and recorded included the following:

- The County purchased two recreational vehicles for a total of $94,766. The recreational vehicles were purchased for the TDC to use in advertising projects and marketing campaigns. These expenditures were incorrectly classified and recorded as operating expenditures (contracted services – public relations) rather than as capital outlay expenditures (machinery and equipment).
- The County purchased an exterior marquee for the convention center for $81,237.50 that was incorrectly classified and recorded as an operating expenditure (contracted services – advertising) rather than as a capital outlay expenditure (infrastructure).
- The County purchased two televisions for a total of $2,208.88. The televisions were purchased to be used in the recreational vehicles noted above. These expenditures were incorrectly classified and recorded as operating expenditures (motor vehicle repair and maintenance) rather than as capital outlay expenditures (machinery and equipment).

County personnel indicated that payments made to the two advertising and marketing firms were often coded to contracted services – advertising regardless of the purpose of the payments. When expenditures are not correctly classified and recorded in the accounting records, management may draw incorrect conclusions about the activities funded from restricted resources such as tourist development taxes and BP grant funds, and their ability to make informed decisions based upon these records may be compromised.

Recommendation: The County should strengthen its procedures to ensure that expenditures are properly classified and recorded in accordance with the *Manual*.

Electronic Funds Transfers

Finding No. 23: Controls Over Electronic Funds Transfers

Section 668.006, Florida Statutes, requires the head of each agency to implement control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. The County used electronic funds transfers (EFTs) to make certain types payments, including payments to vendors and banking institutions, and had established a funds transfer agreement with a bank to provide these services. County records indicated that 13 EFTs, totaling $15.5 million, were made during the period May 2010

through May 2012 that involved tourist development taxes or funds received from BP. Our review disclosed that the County needed to strengthen its controls over EFTs as follows:

- The BCC had not developed written policies and procedures regarding the authorization and processing of EFTs, contrary to law.
- Employees that could initiate wire transfers also had the ability to record journal entries in the accounting system, allowing them both access to County assets and the accounting records for these assets.
- The funds transfer agreement with the bank allowed authorized users designated by the CCC to electronically initiate EFTs without the approval of another employee before the funds were transferred.
- The funds transfer agreement with the bank did not restrict the locations where County funds could be transferred, allowed nonrepetitive EFTs up to $20,000,000, and allowed unlimited dollar amounts of repetitive EFTs.
- The funds transfer agreement with the bank had not been updated to reflect changes in CCC personnel and authorized an employee who terminated with the CCC in May 2005 to initiate and approve EFTs.

While our tests did not disclose any EFTs that were made for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without written policies and procedures and effective controls governing EFT activities, the County is at an increased risk that unauthorized transfers could occur and not be timely detected. In September 2012, the CCC updated its funds transfer agreement with the bank to delete the terminated employee noted above.

Recommendation: The BCC should develop written policies and procedures addressing EFTs as required by Section 668.006, Florida Statutes, including providing for an adequate separation of duties over access to County assets and the related accounting records, and documenting independent approvals before the funds are transferred. In addition, the CCC should revise its funds transfer agreement with the bank to address the deficiencies noted above and timely update its funds transfer agreement with the bank when changes in authorized personnel occur.

Information Technology Controls

Finding No. 24: Access Controls

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, creation, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, add, or delete data. Further, effective access controls provide employees access privileges that restrict employees from performing incompatible functions or functions outside of their area of responsibility. Periodically reviewing the appropriateness of IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job responsibilities.

As part of our review of the County's expenditure payment process, we noted certain deficiencies in access controls as follows:

- All employees in the CCC's Finance Department, including accounts payable and payroll employees, had the ability to record journal entries. However, CCC procedures did not provide for an independent review of all journal entries recorded in the accounting system to determine that the journal entries were properly authorized. County IT personnel indicated that, due to software limitations, an employee's ability to record journal entries could not be limited without also limiting the employee's ability to view certain accounting records.

- Two CCC payroll employees and the CCC's Financial Services Manager had the ability to record pay rate and other changes in the payroll system. These employees also had the ability to process payroll transactions and print payroll checks. However, CCC procedures did not provide for an independent review of all changes recorded in the payroll system to determine that the changes were properly authorized by the Human Resources Department.
- Two CCC accounts payable employees had the ability to add new vendors and make other changes in the master vendor file. These employees also had the ability to process and pay vendor invoices, and print and distribute checks to vendors. However, CCC procedures did not provide for an independent review of all changes made to the master vendor file to determine that the changes were properly authorized by the Purchasing Department.

We also noted that end-user departments were not routinely required to review employee access privileges to County resources (e.g., accounting records, payroll system data, master vendor files) to determine whether these access privileges were necessary and appropriate given an employee's job responsibilities. Without such reviews, unnecessary or incompatible access privileges may not be timely detected and addressed by the County, increasing the risk of unauthorized disclosure, modification, creation, or destruction of data and IT resources.

Recommendation: The County should strengthen its procedures to include the periodic review of access privileges granted to employees and timely remove or modify unnecessary or incompatible access privileges detected.

Public Records

Finding No. 25: TDC and TDC Subcommittee Meeting Minutes

Section 286.011, Florida Statutes, commonly referred to as the Sunshine Law, requires that minutes of public board or commission meetings be promptly recorded and open to public inspection. Florida's *Government-in-the-Sunshine Manual,* compiled by the Florida Attorney General's Office, further provides that advisory boards and committees created by public agencies may be subject to the Sunshine Law, even though their recommendations are not binding upon the entities that create them. When an advisory board or committee has been delegated decision-making authority as opposed to mere information-gathering or fact-finding authority, their meetings must be open to public scrutiny, regardless of the review procedures eventually used by the traditional governmental body.

The TDC is responsible for advising the BCC on the implementation of its tourist development plan, including making recommendations to the BCC regarding the effective use of tourist development taxes. In carrying out its responsibilities, the TDC established two standing subcommittees that met during the period May 2010 through May 2012. The Promotion Review Subcommittee met periodically until October 2010 when it was disbanded. The Marketing Subcommittee was then formed and began meeting in May 2011. The stated responsibilities of both subcommittees included reviewing and recommending advertising and marketing consultants to the TDC and reviewing and recommending specific tourism marketing proposals presented to the TDC by private industry and nonprofit organizations. As discussed in finding No. 15, the TDC and TDC Marketing Subcommittee also awarded special event grants to selected groups or organizations. Based on their responsibilities, both the TDC and the TDC subcommittees are subject to the Sunshine Law.

The minutes of the TDC and TDC subcommittee meetings were generally recorded, approved at subsequent meetings, and electronically stored by the County. However, our review of the minutes of the TDC and TDC subcommittee meetings disclosed that County procedures for maintaining official records of the meetings needed improvement. For example, we noted that minutes were not recorded for a TDC meeting and a TDC subcommittee

meeting held on December 8, 2010, and October 28, 2010, respectively. We also noted that the minutes of the remaining meetings were not signed by the committee or subcommittee chairman or the employee who recorded the minutes. In addition, we noted several meetings for which two versions of the minutes were retained by the County. The County's legal counsel indicated that the different versions represented draft and final versions of the minutes, and a specific file for the final approved and official meeting minutes of the TDC and TDC subcommittees was not maintained.

In the absence of meeting minutes signed by the TDC or TDC subcommittee chairman and the employee who recorded the minutes, the County cannot demonstrate that the minutes made available for public inspection represent the official record of the discussions and actions taken at the meetings. In September 2012, the BCC adopted policies and procedures regarding TDC and TDC subcommittee minutes as part of the TDC's operations and procedures manual. These policies and procedures require written minutes to be maintained for all TDC and TDC subcommittee meetings and an audio recording of each TDC meeting to be made and retained as a public record.

Recommendation: The County should continue to strengthen its procedures for maintaining official minutes of the TDC and TDC subcommittees by recording minutes for all meetings and requiring that the final approved minutes made available for public inspection be signed by the TDC or TDC subcommittee chairman and the employee who recorded the minutes.

RELATED INFORMATION

The State Attorney, 1st Judicial Circuit, and several law enforcement agencies, including the Okaloosa County Sheriff's Office, the Florida Department of Law Enforcement, and the Federal Bureau of Investigation, are investigating alleged improprieties involving the TDC and the former TDC Executive Director. At the close of our audit fieldwork, these investigations were ongoing.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. This audit was conducted pursuant to Section 11.45(3)(a), Florida Statutes, based on a May 15, 2012, request by the then Senate President-designate.

We conducted this operational audit from May 2012 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.

- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring from May 1, 2010, through May 31, 2012, and selected actions taken subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit C.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Organizational oversight.	Reviewed County controls related to the receipt, use, and monitoring of tourist development taxes and funds received from BP.
Fraud controls and control risk assessments.	Reviewed the County's anti-fraud program and determined whether the County had performed recent fraud and control assessments to identify and address potential risks.
Public records.	Examined BCC, TDC, and TDC subcommittee meeting minutes for evidence of compliance with selected Sunshine Law requirements (e.g., preparation and retention of official minutes).
Competitive procurement.	Examined County records relating to the procurement of goods and services (including professional services) from tourist development taxes and BP grant funds to determine compliance with laws, rules, and County purchasing policies and procedures.
Contract design, monitoring, and preauditing of contract invoices.	Reviewed contracts to determine whether they were adequately designed to protect the interests of the County, and examined County records relating to contract payments from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, County purchasing policies and procedures, and the terms of the contracts.
Purchasing card transactions.	Tested purchasing card transactions from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, and County purchasing policies and procedures.
Travel expenditures.	Tested travel expenditures from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, and County purchasing policies and procedures.
Salary and other expenditure transactions.	Tested salary and other expenditure payments from tourist development taxes and BP grant funds to determine whether the payments served an authorized public purpose and were properly approved; adequately supported; accurately classified; reasonable, necessary, and allowable uses of restricted resources; and made in accordance with laws, rules, and County purchasing policies and procedures.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

BP claims and reimbursements.	Examined supporting documentation for claims submitted by the County to BP for reimbursement of expenditures related to the oil spill to determine whether the expenditures were properly supported and allowable under the terms of the reimbursement agreements.
Use of BP grant funds.	Examined supporting documentation relating to the expenditure of BP grant funds to determine whether the County established adequate controls over the use of grant funds and complied with grant provisions and restrictions.
Electronic funds transfers.	Reviewed County procedures related to electronic funds transfers to determine whether controls were adequate and tested supporting documentation to determine whether selected electronic funds transfers were properly authorized and supported.
Journal entries.	Tested journal entries involving tourist development taxes and funds received from BP to determine whether the entries were properly approved, adequately supported, and allowable uses of restricted resources.
Motor vehicles.	Reviewed County policies and procedures relating to vehicle usage and fuel cards to determine whether controls were adequate to ensure County assets were properly safeguarded.
IT controls.	For selected CCC employees, determined the appropriateness and necessity of access privileges to IT resources related to journal entries, payroll records, and the master vendor file.

EXHIBIT B
INADEQUATELY SUPPORTED PURCHASING CARD EXPENDITURES
FOR THE PERIOD MAY 1, 2010, THROUGH MAY 31, 2012

Date	Vendor	Description of Expenditure per Supporting Documentation	Funding Source	Inadequately Supported Amount	Deficiency in Support (Type)
10/26/11	Sams Internet	Two 46" TVs for RVs	BP Grant	$ 2,208.88	A
01/13/12	A Storage Solutions of Destin	Unit 1012 rental to 7/12	TDT - 2nd and 5th Percents	1,100.00	A
01/13/12	A Storage Solutions of Destin	Rent storage unit 1010	TDT - 2nd and 5th Percents	1,100.00	A
02/25/11	Toomey's Mardi Gras	Mardi Gras parade supplies	TDT - 2nd and 5th Percents	1,022.40	A
08/23/10	Marina Café	IEDC hospitality dinner	TDT - 2nd and 5th Percents	908.40	B
12/12/11	Sams Internet	46" TV for Destin TDC	TDT - 2nd and 5th Percents	898.00	A
10/15/10	Wal-Mart	47" TV	TDT - 2nd and 5th Percents	798.00	A
02/24/11	Sears	Refrigerator	TDT - 2nd and 5th Percents	763.46	A
01/12/12	Oriental Trading Company	Mardi Gras parade supplies	TDT - 2nd and 5th Percents	704.00	A
12/12/11	Sams Internet	42" TV and mounting bracket	TDT - 2nd and 5th Percents	656.79	A
12/08/11	National Pen	Holiday cards	TDT – 3rd Percent	575.90	A
12/14/11	Wine Country Gift Baskets	Client gift baskets	TDT – 3rd Percent	569.43	A
01/11/12	A Storage Solutions of Destin	Unit R126 rental to 6/11/12	TDT - 2nd and 5th Percents	550.00	A
03/20/12	Epromos	Client thank you gifts	TDT – 3rd Percent	470.16	A
03/16/12	Target	Public relations (gift cards)	TDT – 3rd Percent	373.00	A
01/12/12	Toomey's Mardi Gras	Mardi Gras parade supplies	TDT - 2nd and 5th Percents	349.00	A
10/26/11	Electric Motor Repair Service	New motor, seal, gasket, and o-ring	TDT - 2nd and 5th Percents	310.00	A
12/15/11	Publix	I-Tunes cards for office laptops and assorted chocolates for business affiliates	TDT - 2nd and 5th Percents	309.98	A
11/17/11	Old Time Pottery	Kitchen and cleaning supplies	TDT - 2nd and 5th Percents	199.80	A
10/26/11	Sams Internet	Compact refrigerators	TDT - 2nd and 5th Percents	192.44	A
12/13/11	The Trophy Center, Inc.	Awards	TDT - 2nd and 5th Percents	149.50	A
04/26/11	Waterworx Car Wash	Purchase (Wheels n Wax, Detail Upcharge, and Interior Detail)	TDT - 2nd and 5th Percents	104.99	A
09/12/11	Culligan Water Solutions	Bottled water service	TDT - 2nd and 5th Percents	80.95	A
10/22/10	Camelia City Florist	ACAE flowers for Ralph Stacy's funeral	TDT - 2nd and 5th Percents	80.00	A
04/24/12	Edible Arrangements	Warren Gourley	TDT - 2nd and 5th Percents	72.00	A
08/12/11	Staples	Coffee, creamer, sports bottles	TDT - 2nd and 5th Percents	63.96	A
07/07/10	Anglers Beachside Grill	Business lunch	TDT - 2nd and 5th Percents	52.34	A,B
08/31/10	Waterworx Car Wash	Purchase	TDT - 2nd and 5th Percents	16.99	A
Total Inadequately Support Purchasing Card Expenditures				**$14,680.37**	

Deficiencies:

A – Supporting documentation did not indicate how the expenditure served an authorized purpose or was an allowable use of the restricted resource.

B – Supporting documentation did not indicate the names of the people attending the event. Consequently, it was not evident that this expenditure served an authorized purpose or was an allowable use of the restricted resource.

EXHIBIT C
MANAGEMENT'S RESPONSE

County Administrator's Office

State of Florida

January 8, 2013

David W. Martin
Auditor General
Local Government Audits/Section 342
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Okaloosa County Board of County Commissioner' Oversight of the Tourist Development Council and Use of Tourist Development Taxes and Funds Received From British Petroleum

Dear Mr. Martin:

In response to the preliminary and tentative findings and recommendations provided by your office, enclosed is a joint response from the Okaloosa County Board of County Commissioners and the Clerk of Court for Okaloosa County. The joint response contains written statements of explanation concerning each of the findings and corrective actions taken and proposed.

We appreciate the time that you and your staff have spent and the thoroughness demonstrated during the audit process.

If you require any further information, please do not hesitate to contact us through the County Administrator's Office at 850-651-7515.

DON R. AMUNDS, CHAIRMAN
BOARD OF COUNTY COMMISSIONERS

DON W. HOWARD, CLERK
CLERK OF COURT

Enclosures

Okaloosa County Administration Building
1804 Lewis Turner Blvd., Suite 400
Fort Walton Beach, FL 32547
(850) 651-7515 • FAX: (850) 651-7551
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OKALOOSA COUNTY'S RESPONSE TO THE PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND RECOMMENDATIONS ON THE OVERSIGHT OF THE TOURIST DEVELOPMENT COUNCIL AND USE OF TOURIST DEVELOPMENT TAXES AND FUNDS RECEIVED FROM BRITISH PETROLEUM

The Board of County Commissioners is in receipt of the Preliminary and Tentative Audit Findings and Recommendations which may be included in the operational audit of the Auditor General on the Oversight of the Tourist Development Council (TDC) and use of Tourist Development Taxes and funds received from British Petroleum. Please find the Response of the Board of County Commissioners (BCC) to the Preliminary and Tentative Findings and Recommendation. As several of the Preliminary and Tentative Findings relate to the operations of the office of the Clerk of the Court, that office has separately responded to some of these Findings.

ORGANIZATIONAL OVERSIGHT

Finding No. 1: The Board of County Commissioners (BCC) did not establish annual budgets for expenditures from restricted resources at the level the resources were restricted, or project budgets for each advertising project and marketing campaign, to ensure that available resources were not overspent.

Recommendation: The BCC should adopt budgets to control expenditures from restricted resources at the level of their restriction and by each specific project funded by these restricted resources. Corresponding budgets should be incorporated into the accounting records to provide for the effective control of expenditures, and the BCC and TDC should perform periodic budget-to-actual comparisons. The CCC should reject invoices presented for payment when sufficient authorized funds are not available to pay for them.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V, section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The Clerk's constitutional grant of authority vests him with the independent authority within these areas of responsibility. Therefore, specific issues raised in regards to the functioning of the Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

Further, as part of the corrective action already taken by the County[4], on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation

[4] Prior to the formal amendment of the Operations and Procedures Manual and Ordinance in September of 2012, the County implemented various policy changes as an interim measure at its May 15, 2012 meeting.

of the TDC and the Tourist Development Department (a copy of Ordinance No. 12-21 and the amended Operations and Procedures Manual are attached as Attachment "A" and "B", respectively). The intent of these amendments was to provide clear delineation as to the respective uses of the various pennies absent subsequent action by the BCC.

Additionally, as part of the amendments to the Operations and Procedures Manual, the BCC has specifically mandated that project level budgets be prepared and submitted to the BCC to control expenditures and ensure that available resources are spent in accordance with the BCC's intent and within the applicable restrictions. (See D.200). The County will also review the viability of establishing budget control expenditures from the various restricted revenues provided that it would be consistent with the provisions of Chapter 129, Florida Statutes.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that the various restricted revenues are being expended in conformity with the requirements of Florida Law and the County's ordinances.

CLERK'S RESPONSE: In accordance with the corrective action already taken by the County in changing the TDC Ordinance, Tourist Development Plan and Operations and Procedures Manual, the Clerk will account for the Tourist Development Restricted balances at the levels of restriction as identified by the recommended budgetary process. The Clerk, in accordance with these corrective actions and the increased level of delineation, will reject invoices without sufficient authorized funds available.

Finding No. 2: The Tourist Development Council (TDC) and TDC subcommittees performed duties that were not of an advisory nature, contrary to law.

Recommendation: The BCC should implement policies and procedures to ensure that the TDC performs only those duties authorized by Section 125.0104(4)(e), Florida Statutes, and County ordinances.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. These amendments, among other things, reestablished the advisory nature of the TDC and its subcommittees and limited their functions to those mandated under Section 125.0104, Florida Statutes. (See A.400). The amendments established new controls on the exercise of the responsibilities of the TDC and eliminated any authority for it to perform functions outside of the advisory role contemplated by the Statute.

Additionally, as to the prior practice of the TDC to approve expenditures, the amendments to the Operations and Procedures Manual also set forth a procedure for the approval of expenditures. Those amendments require that all expenditures be in conformity with established policies and utilizing the procedures of the County's Purchasing Policy (See D.400). Such approvals for the expenditure of funds may not be given by either the TDC or the subcommittees.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policies and Florida Statutes.

Finding No. 3: The TDC did not continuously review all expenditures of tourist development taxes, contrary to law.

Recommendation: The TDC should continue to strengthen its monitoring controls by ensuring that it timely receives and reviews detailed reports of expenditures of tourist development taxes as required by Section 125.0104(4)(e), Florida Statutes.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. To facilitate the statutory responsibilities of the TDC to review and oversee expenditures, various amendments were included to provide more safeguards. Among these was that the TDC would initially participate in the establishment of proposed expenditures in the review of the budget and the marketing plan. (See D.200). Further, the amendments provide a post expenditure monitoring process whereby both the TDC and the BCC would be provided quarterly summaries of the actual expenditures. (See A.400).

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 4: The County purchased goods and services from companies or organizations that were affiliated with members of the BCC, TDC, or a TDC subcommittee, contrary to law.

Recommendation: The BCC should implement policies and procedures to ensure that future purchases of goods and services are not made from vendors in which a potential conflict of interest exists or that waivers of the requirements of Sections 112.313(3) and 112.313(7), Florida Statutes, as they relate to TDC and TDC subcommittee members, are granted and documented in accordance with Section 112.313(12), Florida Statutes.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Without concluding that each of the examples provided by the Auditor General in its Preliminary and Tentative Findings actually constituted violations of Section 112.313, Florida Statutes, the County agrees that inadequate controls existed which would address potential conflicts of interests.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has adopted Ordinance No. 12-21 which amended the Tourist Development Plan of Okaloosa County and it has substantially revised the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Several of the amendments to the plan directly relate to the issue of potential conflicts of interests. Initially, the revisions to the Manual specifically set forth

guidelines for the approval of special events and sponsorships. (See G.000 - G.600). The revisions also required that committee members with conflicts of interest comply with the provisions of Section 286.012 and Chapter 112, Florida Statutes. Further, the County's Purchasing Manual, which is incorporated into the Operations and Procedures Manual, requires the submittal of conflict of interest disclosures as part of the process.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided to avoid conflicts of interests and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

FRAUD CONTROLS AND CONTROL RISK ASSESSMENTS

Finding No. 5: The BCC had not adopted a fraud response plan, and the County did not perform periodic fraud risk assessments or establish action plans to implement and monitor fraud controls.

Recommendation: The BCC should strengthen its anti-fraud program by adopting a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Okaloosa County will review and consider the amendment of its current code of conduct and whistleblower policies to include a written fraud response plan that addresses investigation protocols and guidance on reporting known or suspected fraud to the appropriate authorities.

The County will review and consider the implementation of an annual fraud risk assessment and fraud controls monitoring. In furtherance of this monitoring, the County has researched and determined the Association of Certified Fraud Examiners has a Fraud Risk Assessment tool that can be used by Okaloosa County to strengthen its anti-fraud program. The County will consider the implementation of this or similar fraud assessment tools which can be utilized to enhance its fraud controls.

Finding No. 6: The County did not perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources to identify and respond to identified control risks.

Recommendation: The County should perform and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing restricted resources, including tourist development taxes and funds received from BP.

COUNTY RESPONSE: Okaloosa County agrees with the audit finding and recommendation.

The County will review and consider the implementation of a formalized control risk assessment for the County as a whole, with particular emphasis on collecting, accounting and disbursing all restricted resources of the County, including tourist development taxes.

PROCUREMENT AND PAYMENTS TO VENDORS

Finding No. 7: The County did not consistently follow prescribed policies and procedures relating to the competitive procurement of goods and services, including the selection of two advertising and marketing firms.

Recommendation: The County should ensure that purchases are procured in accordance with County policies and procedures. In addition, the County should strengthen its procurement procedures to ensure that the selection process for the acquisition of professional services is documented and services are acquired pursuant to County purchasing policies and procedures. These procedures should require maintenance of documentation evidencing the basis for decisions made by selection committees and the signing of ranking sheets by each selection committee member.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County's Purchasing Policy (See D.400). Additionally, all functions determined by the Director and Council to be handled by contract with third parties are required to be entered into in accordance with the County's standard procedures, including the issuance of Requests for Qualifications (RFQ's) and/or Requests for Proposals (RFP's) required under County procedures (See E.100).

On July 23, 2012, the County issued RFQ # TDC 47-12, which sought proposals to provide marketing, advertising, public relations services for the Tourist Development Department. Pursuant to County policies, a selection committee reviewed and ranked 17 proposals which were submitted in response to the RFQ. The selection committee's rankings were presented to the BCC at its December 4, 2012 meeting and it approved entering into an Agreement with a new entity to provide these services. The policies and procedures of the County were followed during this process and the documentation evidencing the decision was maintained consistent with the County's policy and the Recommendation of the Auditor General. Additionally, the Agreement entered into with the new entity requires compliance with the County's Purchasing Manual, Contract/Leases Policies and Procedure Manual, and Operations and Procedures Manual of the TDC and Tourist Development Department.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 8: The County negotiated and entered into contracts that did not contain adequate provisions to effectively protect the County's interests.

Recommendation: The County should strengthen its procurement procedures to ensure that all contracts include provisions that specify the types and amounts of contractor expenses for which the contractor is to be reimbursed and require the contractor to submit sufficiently detailed invoices to allow for an effective County preaudit. Additionally the contracts for advertising and marketing services firms should include provisions to competitively procure goods and services in accordance with County

purchasing policies and procedures, and require the firms to submit cost estimates, obtain BCC approval prior to starting work on an advertising project or marketing campaign, and state the advertising project or marketing campaign with which invoices are associated.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County's Purchasing Policy (See D.400). Additionally, all functions determined by the Director and Council to be handled by contract with third parties are required to be entered into in accordance with the County's standard procedures, including the issuance of Requests for Qualifications (RFQ's) and/or Requests for Proposals (RFP's) required under County procedures (See E.100).

Additionally, the County has recently entered into an Agreement with a new entity to provide marketing and advertising services to the Tourist Development Department. That Agreement incorporates significant new controls over the provision of these services which contains many safeguards to protect the County's interest, including but not limited to the following:

- 3.3 The CONTRACTOR shall submit copies of effective contracts, insertion orders, a recapitulation of credits and debits affecting previously submitted statements or invoices and substantiating bills, and tear sheets, with support materials or other proof of publications for invoices presented for payment.

- 3.4 It is mutually agreed and understood that payments to the CONTRACTOR for approved expenditures shall be made only upon submission to the COUNTY of itemized copies or original invoices. All statements or invoices for fees for services rendered submitted by the CONTRACTOR to the COUNTY shall be submitted in detail sufficient for proper pre-audit and post-audit thereof to insure that the work performed, expense incurred, or service rendered actually took place, was properly authorized and that the correct amount has been charged. Invoices submitted by the CONTRACTOR for services performed under this Agreement shall be itemized such that the description of services performed is consistent with the description included in the scope of services attached hereto as Attachment A.

- 3.5 No invoice will be processed without the executed task order, purchase order or contract/lease payment approval form approved by the respective County official(s). No invoice will be approved unless a copy of the actual invoice from the vendor accompanies the invoice reflecting the acquisition of goods/services.

- 5.3 <u>BID PROCESS.</u> The CONTRACTOR shall receive and maintain copies of the three (3) bids, required by the COUNTY, for each item with a cost in excess of $2,500 which is purchased on behalf of the COUNTY. In those instances where competitive pricing cannot be obtained, a sole source purchase data sheet must be completed and attached to the requisition. Such requests must meet both of the following criteria:

- It is the only item that will produce the desired results (or fulfill the specific need).
- The item is available from only one source of supply.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes. Further, future agreements entered into by the County will provide necessary protections of its interests.

Finding No. 9: The County did not perform an adequate review or preaudit of invoices submitted by two advertising and marketing firms, including a comparison of payment requests to the provisions of contracts. As a result, the County paid two advertising and marketing firms $12.1 million without obtaining adequate documentation supporting the goods or services received, including payments of several invoices that incorrectly or inadequately described the actual goods or services purchased.

Recommendation: The County should continue to strengthen its monitoring and preaudit procedures to ensure that contract provisions are properly monitored and payments are supported by adequate documentation to allow for an effective preaudit. The County should also continue its efforts to obtain supporting documentation for payments made to the two advertising and marketing firms. In addition, the BCC, in consultation with its legal counsel, should determine whether the County is entitled to recover any questioned billings, and take appropriate action to recover such billings. Finally, the BCC should adopt written policies and procedures that provide guidance on the reasonableness and necessity of TDC expenditures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V, section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The preaudit review of expenditures is within the constitutional grant of authority of the Clerk. Therefore, specific issues raised in regards to the functioning of the Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

The County acknowledges that sufficient controls were not in place to assure adequate contract monitoring and pre-auditing of invoices. As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilizing the procedures of the County's Purchasing Policy (See D.400). This includes the specific requirement that all expenditure approvals are consistent with the authority levels of the various positions.

Additionally, to assist the preaudit review of expenditures, the amended Manual also requires that no invoice will be processed through the Clerk's Office without the executed task order and/or purchase order approved by the respective County officials. Further that no invoice will be approved unless the actual invoice from the vendor accompanies the invoice reflecting the acquisition of the goods or services. (See E.600).

As to questionable billings or expenditures, the County has been reviewing numerous expenditures which were inappropriate or which were made with limited documentation. Efforts have been instituted by the County to seek reimbursement for several of these expenditures and this effort is anticipated to continue once law enforcement finalizes its investigations.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurance that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

CLERK'S RESPONSE: In accordance with the corrective action already taken by the County in regard to the County procurement and contract process and the amended Operations and Procedures Manual of the TDC, the Clerk will perform its invoice preaudit function in such a way that will ensure full compliance with contractual provisions and appropriate documentation. In connection with these corrective actions, especially regarding the advertising contract, the increased level of invoicing of these services provided will more clearly identify the goods and services acquired.

Finding No. 10: The County did not ensure that goods or services acquired through two advertising and marketing firms were competitively procured.

Recommendation: The County should ensure that goods and services purchased through contractors are competitively procured in accordance with County purchasing policies and procedures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County Purchasing Policy (See D.400). Additionally, all functions determined by the Director and Council to be handled by contract with third parties are required to be entered into in accordance with the County's standard procedures, including the issuance of Requests for Qualifications (RFQ's) and/or Requests for Proposals (RFP's) required under County procedures (See E.100).

Additionally, the County has recently entered into an Agreement with a new entity to provide marketing and advertising services to the Tourist Development Department. That Agreement incorporates significant new controls over the provision of these services and requires competitive pricing where appropriate. (See Response to Finding No. 8).

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 11: The County paid for certain goods and services in advance of their receipt, including certain goods and services acquired through two advertising and marketing firms, contrary to law and the State Constitution. Some services for which the County paid in advance were not subsequently provided.

Recommendation: The County should continue to strengthen their purchasing procedures to ensure that advance payments are approved and paid only if the payments result in a savings that is equal to or greater than the amount that would be earned by investing the funds and paying later, or if the payments are essential to the County's operations and the goods or services being paid for are available only if advance payment is made. Additionally, the County should establish procedures to ensure that goods or services paid for in advance are either subsequently received by the County or a refund of the overpayment is pursued. Further, the County should continue its efforts to recover the questioned payments noted above.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments and the Agreement recently entered into with the new entity to provide advertising and marketing services to the Tourist Development Department, specifically prohibit the advancement of funds unless approved by the BCC. (See E.700).

Further as to those cited payments where advance payments were made but the services were apparently not provided, the County has been reviewing these and numerous other expenditures which reflect the possibility of inappropriate payments. Efforts have been instituted by the County to seek reimbursement for several of these expenditures, including those cited in this Finding. This effort is anticipated to continue once law enforcement finalizes its investigations.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

CLERK'S RESPONSE: In accordance with the corrective action already taken by the County, the Clerk will be able to determine in its preaudit function whether payments made in advance are properly authorized.

Finding No. 12: The County did not consistently follow prescribed policies and procedures relating to the approval of purchases, including purchases made through two advertising and marketing firms.

Recommendation: The County should ensure that required approvals are obtained for all purchases in accordance with County purchasing policies and procedures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

The County acknowledges that insufficient controls were in place to assure adequate review of expenditures. As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the

TDC and the Tourist Development Department. Those amendments require that all expenditures be in conformity with established policies and utilize the procedures of the County's Purchasing Policy (See D.400). These amendments mandate that purchases up to $25,000 require approval of the Director and Purchasing Director; purchases above $25,000 and up to $50,000 require the approval of the Director, the Purchasing Director and the County Administrator; and purchases over $50,000 require the approval of the BCC (See D.400 2). Further, the new Agreement with the entity to provide marketing and advertising services to the Tourist Development Department requires that all purchases made by the Agency on behalf of the County be made in accordance with the County's Purchasing Manual. Section 5.1 of the new Agreement provides as follows:

> 5.1 All purchases made by the CONTRACTOR on behalf of the COUNTY shall be made in accordance with the COUNTY's Purchasing Manual. A copy of the Purchasing Manual has been provided to the CONTRACTOR and its terms are incorporated herein by reference as an essential part of this Agreement.

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

Finding No. 13: The County did not consistently follow prescribed policies and procedures relating to the use of purchasing cards (P-cards), document the receipt of goods and services purchased with P-cards that were not immediately provided to the purchaser, or document the public purpose served by the P-card expenditures.

Recommendation: The County should strengthen its P-card policies and procedures to ensure that an independent review and approval is documented for all purchases; that employees and reviewers certify they reviewed the applicable P-card expenditure report, that it correctly reflects the supporting receipts, and that all purchases made were for official County business and in accordance with applicable rules and directives; that P-card certification and receipt forms are timely signed by employees; that employees acknowledge the receipt of goods and services; and that County records evidence the authorized public purpose served by the expenditures.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

The County has previously taken action to reestablish the reporting authority of the Director of the Tourist Development Department to the County Administrator. As such, the County Administrator would provide independent reviewing authority of P-card expenditure reports and authorizations. The County will also review and consider the amendment of the policies and procedures to address controls related to the use of P-cards, including strengthening the reporting requirements of these expenditures, placing caps on the extent of the expenditures, and providing assurances that purchases made through the use of P-cards are actually received by the County.

TRAVEL

Finding No. 14: The County needed to enhance its policies and procedures to ensure that travel expenditures are preapproved and adequately documented.

Recommendation: The County should strengthen its procedures to ensure the preapproval of travel expenditures for all authorized persons and the use of properly completed and signed travel vouchers to support all travel expenditures and entertainment-related expenditures pursuant to law.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require travel procedures in conformity with Section 112.0601, Florida Statutes, including procedures for preapproval of travel. (See C.400 – C.410). Further, guidelines have been established for Reimbursable Promotional Travel and Expenses including those related to activities of those in the tourism and promotional industry. (See C.500). Additionally, as part of the implementation process for these procedures, in June, 2012, members of the Tourist Development Department staff attended training programs to enhance the use and understanding of the requirements relating to travel and entertainment related expenditures.

The County will continue to review the policies and procedures related to travel expenditures and the use of signed travel vouchers to support all travel and entertainment-related expenditures to assure that adequate controls are provided and is consistent with the mandates of County policy and Florida Statutes.

SPECIAL EVENTS GRANTS AND SPONSORSHIPS

Finding No. 15: The BCC had not adopted written policies and procedures relating to special events grants, and the County did not document that the special events grants were used for allowable purposes or were effective in increasing tourism and the use of lodging facilities.

Recommendation: The BCC should continue to strengthen its special events grant policies and procedures by addressing the methodology for calculating the amounts of the grants and requiring grant recipients to sign a written agreement acknowledging the terms and conditions of the grants.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. As part of that amendment, the BCC set forth various criteria for the evaluation of Special Event Funding, including the application process, the provision of guidelines and criteria for the consideration of funding, and post event evaluation. (See G.000 – G.500).

The County will continue to review and evaluate the future amendment of the Operations and Procedures Manual to determine whether further provisions should be addressed which would enhance the oversight of this area. This includes but is not limited to the strengthening of the special event grant policies and procedures including requiring the recipients to sign a written agreement acknowledging the terms and conditions of the grant.

Finding No. 16: The BCC had not adopted written policies and procedures relating to sponsorships of organizations or events. In addition, the County did not consistently document the purpose for which the sponsorships were provided, that the sponsorships were used for allowable purposes, or that the sponsorships were effective in achieving the purposes for which they were provided.

Recommendation: The BCC should continue to strengthen its sponsorship policies and procedures by addressing the methodology for calculating the amount of sponsorships, requiring sponsorship recipients to sign a written agreement acknowledging the terms and conditions of the sponsorships, and requiring sponsorship recipients to provide documentation evidencing how the sponsorship moneys were used and that the sponsorships were effective in achieving their intended purpose.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC has substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. As part of that amendment, the BCC set forth various guidelines for the evaluation of Sponsorship Funding. (See G.600).

The County will continue to review and evaluate the future amendment of the Operations and Procedures Manual to determine whether further provisions should be addressed which would enhance the oversight and strengthen the controls of this area. This includes but is not limited to the strengthening of the sponsorship grant policies and procedures including requiring the recipients to sign a written agreement acknowledging the terms and conditions of the funding, the provision of documentation as to how the money was used and how they were effective in achieving their intended purpose.

ALLOWABLE USES OF RESTRICTED RESOURCES

Finding No. 17: The County paid $2.5 million from tourist development taxes for lifeguarding, beach patrol, and beach shuttle services that were not expressly authorized by law.

Recommendation: The County should seek an opinion from the Attorney General as to the allowability of the $2,476,095.68 of questioned expenditures and, if appropriate based on the Attorney General's opinion, should restore this amount to the tourist development taxes accounts.

COUNTY RESPONSE: The County acknowledges the finding and recommendation of the Auditor General as it relates to the funding of lifeguard services with Tourist Development Taxes.

The funding of lifeguard services through the use of Tourist Development Taxes was initially considered by the BCC in 2003, following numerous highly publicized drowning by visitors to the Gulf Coast area. The BCC became concerned for the safety of users of our beaches and also the impact on tourism as a result of the drownings. In the view of the BCC, the provision of a safe beach is an essential component of promoting the area as a family tourist destination. As a result, they began to explore the possibility of providing lifeguard services and identifying possible funding sources. At that time, the County sought legal opinions from two law firms, both of whom independently concluded that such use of tourist development tax revenues was permissible under Section 125.0104(5) (a) 2., Florida

Statutes, provided the County make the necessary legislative finding that the primary purpose of providing lifeguard services is related to promoting tourism within the County.

In making its finding, the Auditor General relied solely on the Opinion of the Attorney General No. 90-55 which had opined that Tourist Development Taxes may not be used to fund lifeguard services as those services did not constitute "beach improvement, maintenance, renourishment, restoration, and erosion control" within the contemplation of Section 125.0104 (5) (a) 4, Florida Statutes. Both law firms that reviewed this matter were aware of this opinion and distinguished it in their respective opinions.

The primary basis for their conclusion that the Attorney General Opinion was not controlling was that Okaloosa County was not relying Section 125.0104(5) (a)4, Florida Statutes that was the basis of the Opinion, but rather the County was relying on Section 125.0104(5) (a)2. At the time 1990 Attorney General Opinion was issued, that provision authorized the expenditure of tourist development tax revenue "[T]o Promote and advertise tourism in the State of Florida and nationally and internationally." However, the Legislature, partly in recognition that the provision of services and activities may attract tourists and beneficially promote tourism to an area, amended this subsection in 1996 to add the following:

> 2. To Promote and advertise tourism in the State of Florida and nationally and internationally; <u>however, if tax revenues are expended for an activity, service, venue, or event, the activity, service, venue, or event shall have as one of its main purposes the attraction of tourists as evidenced by the promotion of the activity, service, venue, or event to tourists.</u>

Section 44 of Chapter 96-397, Laws of Florida.

The BCC believes that the provision of a safe environment for the attraction of visitors to the area is an essential component of the promotion of tourism to the area. Nor are lifeguard services in the nature of a general governmental function which is owed to the public at large. Therefore, though the County was aware of the Opinion of the Attorney General, it believes that the analysis must be made in the context of the original question asked and the changes in the law that have occurred in the 23 years since the issuance of that opinion.

The BCC agrees with the Auditor General that this is an issue that requires clarification and it shall review various options which would allow the County to obtain certainty as to it authority to utilize Tourist Development Tax proceeds for these purposes.

The second issue raised by Finding 17 relates to the funding of beach shuttle services with Tourist Development Tax proceeds. The Finding suggests that beach shuttle service is in the nature of a general transportation related activity and therefore provided to the public at large. Initially, the County does not believe that beach shuttle services are a general governmental function owed to the public at large, but, rather, it is a highly specialized type of activity that is directly related to the activities within high tourist areas. Second, these services are no longer being funded with Tourist Development Tax proceeds.

Finding No. 18: The County paid $117,994 for various goods and services from British Petroleum (BP) grant funds that were, in the past, paid from tourist development taxes, contrary to grant provisions.

Recommendation: The County should consult with Florida's Coastal Northwest Communications Council, Inc., as to the allowability of the $117,994 in questioned costs.

COUNTY RESPONSE: The County acknowledges the audit finding and recommendation.

The County has made a preliminary review of the expenditures from the Third Grant from BP and will continue to review documentation to determine whether the terms of the grant from the Florida's Coastal Northwest Communications Council, Inc., have been complied with in the expenditure of those funds. The County has previously notified the Communications Council and BP of the existence of an expenditure which was not within the terms of the grant. To the extent that other expenditures are found to not comply with the grant or are otherwise questionable, then the County will consult with Florida's Coastal Northwest Communications Council, Inc., as to those questioned costs.

Finding No. 19: As part of the Emerald Coast Money Debit Card Program, the County used $207,730 of BP grant funds for purposes that County records did not evidence were allowed by grant provisions.

Recommendation: The County should consult with the FCNCC as to the allowability of the $207,730.45 in questioned costs.

COUNTY RESPONSE: The County acknowledges the audit finding and recommendation.

The County has made a preliminary review of the BP Grant proceeds and its use for the Debit Card Program. The County acknowledges that some Debit Cards acquired under this program were not utilized in conformity with the Grant requirements. The County will continue to review documentation as to other expenditures to determine whether the terms of the Grant were violated.

As part of the County's efforts, it has cancelled the remaining balance on all of the Debit Cards and has received a refund of these amounts. The County has been in touch with representatives of British Petroleum concerning handling of these funds and prospective use.

Additionally, for those Debit Cards which are found to not be in compliance with the Grant or are otherwise questionable, the County will consult with Florida's Coastal Northwest Communications Council, Inc.

Finding No. 20: The County overcharged BP $27,063 in connection with medical support services provided, and County records did not adequately support the allowability of $385,185 in reimbursements received from BP.

Recommendation: For future reimbursement agreements, the County should ensure that reimbursement requests are made pursuant to terms of the agreements, including submission of required supporting documentation.

COUNTY RESPONSE: The County acknowledges the audit finding and recommendation.

The County has reviewed the charges to BP in connection with medical support services provided and acknowledges that there may have been some overcharges. Though the original Medical Services Agreement included a rate of $50.00 for an Advanced Life Support (ALS) SUV (non-transport) vehicle, representatives of BP specifically requested the availability of a fully staffed Advanced Life Support (ALS) Ambulance with transport capability. For those services that were provided by that enhanced vehicle, the standard rate of $100 was charged.

However, the County has reviewed these charges and determined that there were some possible overcharges. These charges are being verified and where an overcharge is confirmed, the County will contact BP concerning these amounts and will refund those amounts where necessary.

The County will require for future reimbursement agreements that requests for reimbursement be made in conformity with the agreements, including the submission of required supporting documentation.

MOTOR VEHICLES

Finding No. 21: The County had not established adequate controls over the use of fuel cards.

Recommendation: The County should strengthen its vehicle usage procedures to include more reasonable fuel consumption parameters, the effective use of fuel card exception reports and user department reconciliations of fuel charges to gas receipts, and the retention of all gas receipts by user departments.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

The County currently monitors fuel sales through a variety of documentation. The primary source of review is the electronic transaction data which establishes the purchaser, the fuel card number, the vehicle that was fueled, the fueling location, the amount purchased and the price. The County has already reviewed the parameters for all fuel cards and adjusted the parameters where appropriate.

The County will continue to review its procedures and controls to provide assurance that adequate documentation is available. The County will also strengthen its vehicle usage procedures to include fuel consumption parameters and more effective use of its fuel card exception reports. Further, the County will review the viability of requiring user department reconciliation of fuel charges to gas receipts and the retention of all gas receipts by user departments.

ACCOUNTING CONTROLS

Finding No. 22: The County incorrectly classified and recorded certain expenditures in the accounting records, contrary to guidance provided by the Florida Department of Financial Services.

Recommendation: The County should strengthen its procedures to ensure that expenditures are properly classified and recorded in accordance with the Manual.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V., section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The classification and recording of expenditures are within the purview of the Clerk's functions. Therefore specific issues raised in regard to the function of the Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

The County will work with the Clerk to strengthen its procedures to ensure that expenditures are properly classified and recorded in accordance with the Uniform Accounting System Manual for Florida Counties. To the extent that the misclassifications of expenditures in the general ledger are the result of errors by the advertising entities providing services to the County, efforts will be made to coordinate with these entities to assure that they are providing the proper coding. Finally, other corrective actions taken by the BCC will also aid the Clerk in assuring that there is adequate documentation to record disbursements in accordance with the Uniform Accounting System Manual for Florida Counties.

CLERK'S RESPONSE: Historically, the Clerk recorded expenditures in accordance with the documentation provided and consistent with the Manual provided by the Florida Department of Financial Services. With the additional corrective action taken by the County in regard to the advertising contracted services, the Clerk will be able to more clearly identify the goods or services provided to make a better determination about the proper classification and maintain compliance with the Manual.

ELECTRONIC FUNDS TRANSFERS

Finding No. 23: The BCC had not adopted written policies and procedures, and the County had not established adequate controls, over the authorization and processing of electronic funds transfers.

Recommendation: The BCC should develop written policies and procedures addressing EFTs as required by Section 668.006, Florida Statutes, including providing for an adequate separation of duties over access to County assets and the related accounting records, and documenting independent approvals before the funds are transferred. In addition, the CCC should revise its funds transfer agreement with the bank to address the deficiencies noted above and timely update its funds transfer agreement with the bank when changes in authorized personnel occur.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V., section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The Clerk's constitutional authority vests him with him the independent authority within these areas of responsibility. Therefore specific issues raised in regard to the function of the

Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

The finding made by the Auditor General cites the provisions of Section 668.006, Florida Statutes, which requires the head of each agency to implement control processes and procedures to ensure adequate integrity, security, confidentiality and auditability of business transactions conducted using electronic commerce. Though the Finding references that the County utilized electronic fund transfers, those transfers were through the Clerk's Office and therefore the responsibility to implement controls rests with the Clerk.

However, the County as part of its corrective action plan will coordinate with the Clerk to develop policies and procedures for the use of electronic fund transfers.

CLERK'S RESPONSE: The Clerk will review Section 668.006, Florida Statutes in order to be compliant. The Clerk will document policies and procedures for Electronic Funds Transfer as a part of the Clerk's Accounting Policies and Procedures Manual. The Clerk has modified the bank agreement and is currently investigating, along with the County Bank provider, any additional controls for the Electronic Funds process.

INFORMATION TECHNOLOGY CONTROLS

Finding No. 24: The County had not established adequate controls over employee access privileges to data and information technology resources.

Recommendation: The County should strengthen its procedures to include the periodic review of access privileges granted to employees and timely remove or modify unnecessary or incompatible access privileges detected.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

Initially, under the Constitution of the State of Florida, the Clerk of the Court and the BCC are independent constitutional offices. Though the Clerk, under Article V., section 16 of the Florida Constitution is empowered to serve as the "ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds," the operation of his office is not subject to the direction of the BCC. The Clerk's constitutional authority vests him with the independent authority within these areas of responsibility. Therefore specific issues raised in regard to the function of the Clerk's office either have been addressed or will be the subject of future coordination between the respective constitutional bodies.

However, the County as part of its corrective action plan will coordinate with the Clerk to develop policies and procedures for the periodic review of access privileges.

CLERK'S RESPONSE: The Clerk has recently reviewed the controls in place for all the users of the financial software system and updated those controls, where possible and where needed. The Clerk will document policies and procedures in place for processing of transactions, especially manual journal entry processing, in order to update them and provide additional controls, as necessary. Periodic reviews of access privileges will be conducted on an ongoing basis to ensure good internal control and proper employee access.

PUBLIC RECORDS

Finding No. 25: The County did not record minutes of a TDC and TDC subcommittee meeting, contrary to law. In addition, the minutes of the remaining meetings were not signed or otherwise designated to indicate the minutes were the official minutes approved by the TDC or TDC subcommittees.

Recommendation: The County should continue to strengthen its procedures for maintaining official minutes of the TDC and TDC subcommittees by recording minutes for all meetings and requiring that the final approved minutes made available for public inspection be signed by the TDC or TDC subcommittee chairman and the employee who recorded the minutes.

COUNTY RESPONSE: The County agrees with the audit finding and recommendation.

As part of the corrective action already taken by the County, on September 18, 2012, the BCC substantially amended the Operations and Procedures Manual governing the operation of the TDC and the Tourist Development Department. Those amendments require that all meetings be duly advertised in a newspaper of general circulation and that such meetings be subject to all of the procedural requirements of Chapter 286, Florida Statutes. The amendments to the Operations and Procedures Manual also require that minutes be kept at these meetings in conformity with Florida Statutes. (See A.700 – A.750).

The County will continue to periodically review the Tourist Development Plan and Operations and Procedures Manual to provide assurances that adequate controls are provided and that the operation of the TDC is consistent with the mandates of County policy and Florida Statutes.

ATTACHMENT

"A"

ORDINANCE NO. 12- 21

AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS OF OKALOOSA COUNTY, FLORIDA, AMENDING ORDINANCE 07-58 AND SECTIONS 20-72 THROUGH 20-77 OF THE OKALOOSA COUNTY CODE OF ORDINANCES, RELATING TO THE TOURIST DEVELOPMENT PLAN; MAKING FINDINGS; AMENDING THE COUNTY'S TOURIST DEVELOPMENT PLAN; ESTABLISHING AUTHORIZED USES OF TOURIST DEVELOPMENT TAX REVENUES; ESTABLISHING REVENUE PROJECTIONS AND ALLOCATIONS; PROVIDING FOR THE CONTINUED ALLOCATION OF THE FOURTH PERCENTAGE POINT FOR THE OPERATION, MAINTENANCE, REPAIR OR RENEWAL OF THE CONVENTION CENTER; ESTABLISHING THE TERM OF THE FIFTH PERCENTAGE POINT; PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Section 125.0104, Florida Statutes, known as the "Local Option Tourist Development Act", the Board of County Commissioners ("Board") adopted Ordinance 89-23 in 1989 which authorized the collection of two cents of tourism development tax per dollar exchanged on certain short term lodging rental transactions within an described sub-county tourism development district, authorized a referendum for approval of imposition of the tax, created the County's initial Tourist Development Plan (the "Plan"), and established the Okaloosa Tourist Development Council (the "Council"); and

WHEREAS , the Board adopted Ordinance 99-08 in May, 1999 to include the construction and operation of a convention center as a component part of the Plan and authorize the imposition and collection of an additional two cents per dollar in tax for the purpose of financing and operating the conference center with the third cent allocated to tourism promotion and product improvement purposes and the fourth cent dedicated to the planning, construction and operation of a county-owned convention center; and

WHEREAS, the Board adopted Ordinance 07-58 in November, 2007 to authorize the imposition and collection of an additional cent for a total of five cents per dollar in tax and to dedicate the first cent revenues to funding the County's portion of the costs of restoration, renourishment and related monitoring of the County's gulf-front beaches; and

WHEREAS, the Okaloosa County Tourist Development Council has submitted to the Board a recommended amendment to the ordinance and the Plan contained therein; and

WHEREAS, the Board hereby finds that the proposed amended Tourist Development Plan is an effective and reasonable plan for the promotion of tourism in the County's sub-district.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COUNTY COMMISSIONERS OF OKALOOSA COUNTY, FLORIDA:

SECTION 1. Section 20-71, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-71. - Tax levied; collection; remittance.

(a) There is hereby levied and imposed a tourist development tax in the hereinafter described sub-district of Okaloosa County, Florida, at the rate of five percent of each whole and major fraction of each dollar of the total rental charged every person who rents, leases or lets for consideration any living quarters or accommodations in any hotel, apartment hotel, motel, resort motel, apartment, apartment motel, rooming house, mobile home park, recreational vehicle park, condominium, condominium hotel or campground for a term of six months or less. When receipt of consideration is by way of property other than money, the tax shall be levied and imposed on the fair market value of the non-monetary consideration.

(b) The tourist development tax shall be in addition to any other tax imposed pursuant to Chapter 212, Florida Statutes, and in addition to all other taxes, fees, and the considerations for the rental or lease.

(c) The tourist development tax shall be charged by the person receiving the consideration for the lease or rental, and it shall be collected from the lessee, tenant or customer at the time of payment of the consideration for such lease or rental.

(d) The person receiving the consideration for such rental or lease shall receive, account for, and remit the tax to the Board of County Commissioners (the "Board") at the same time and in the manner provided for persons who collect and remit taxes under Section 212.03, Florida Statutes. The same duties and privileges imposed by Chapter 212, Florida Statutes, upon dealers in tangible property, respecting the collection and remission of tax, the making of returns, the keeping of books, records and accounts, the payment of a dealer's credit, and compliance with the rules of the County Clerk of the Circuit Court (the "Clerk") in the administration of said chapter shall apply to and be binding on all persons who are subject to the provisions of this article; provided, however, the Clerk may authorize a quarterly payment when the tax remitted by the dealer for the preceding quarter did not exceed $25.00.

(e) The Clerk shall keep records showing the amount of taxes collected, which records shall be open to the public during the regular office hours of the Clerk, subject to the provisions of Section 213.053, Florida Statutes.

(f) Collections received by the county clerk of the circuit court, less costs of administration of this article, shall be paid on a monthly basis, to the Board for use by the county in accordance with the provisions of this article and shall be placed in the county tourist development trust fund.

(g) The Clerk is authorized to employ persons and incur other expenses necessary to administer this article.

(h) The Clerk may promulgate such rules and may prescribe and publish such forms as may be necessary to effectuate the purpose of this article.

(i) The Clerk shall perform the enforcement and audit functions associated with the collection and remission of this tax, including, without limitation, the following:

(1) a. For the purpose of enforcing the collection of the tax levied by this article, the Clerk is hereby specifically authorized and empowered to examine at all reasonable hours the books, records, and other documents of all dealers, or other persons charged with the duty to report or pay a tax under this article, in order to determine whether they are collecting the tax or otherwise complying with this article.

b. In the event such dealer refuses to permit such examination of its books, records, or other documents by the Clerk as aforesaid, such dealer is guilty of a misdemeanor of the first degree, punishable as provided in Sections 775.082, 775.083, or 775.084, Florida Statutes. The Clerk shall have the right to proceed in circuit court to seek a mandatory injunction or other appropriate remedy to enforce his right against the offender, as granted by this section, to require an examination of the books and records of such dealer.

(2) a. Each dealer, as defined in this article, shall secure, maintain, and keep for a period of three years, a complete record of rooms or other lodging, leased or rented by the dealer, together with gross receipts from such sales, and other pertinent records and papers as may be required by the Clerk for the reasonable administration of this article; and all such records which are maintained in this state shall be open for inspection by the Clerk at all reasonable hours at such dealer's place of business located in the county.

b. Any dealer who maintains such books and records at a point outside the county must make such books and records available for inspection by the Clerk. Any dealer subject to the provisions of this article who violates these provisions is guilty of a misdemeanor of the first degree, punishable as provided in Sections 775.082, 775.083, or 775.084, Florida Statutes.

(3) a. The Clerk shall send written notification, at least 30 days prior to the date an auditor is scheduled to begin an audit. The Clerk is not required to give 30 days prior notification of a forthcoming audit in any instance in which the taxpayer requests an emergency audit.

b. Such written notification shall contain:

1. The approximate date on which the auditor is scheduled to begin the audit.

2. A reminder that all of the records, invoices, and related documentation must be made available to the auditor.

3. Any other requests or suggestions the clerk may deem necessary.

c. Only records, receipts, invoices, and related documentation which are available to the auditor when such audit begins shall be deemed acceptable for the purposes of conducting such audit.

(4) Effective with taxes collected for the month of July 1992, all taxes collected under this article shall be remitted to the Board of County Commissioners, Attention: Finance officer.

(5) a. In addition to criminal sanctions, the Clerk is empowered, and it shall be his duty, when any tax becomes delinquent or is otherwise in jeopardy under this article, to issue a warrant for the full amount of the tax due, or estimated to be due, with the interest, penalties, and cost of collection, directed to all and singular sheriffs of the

state, and shall record the warrant in the public records of the county, and thereupon the amount of the warrant shall become a lien on any real or personal property of the taxpayer in the same manner as a recorded judgment.

b. The Clerk may issue a tax execution to enforce the collection of taxes imposed by this article and deliver it to the sheriff. The sheriff shall then proceed in the same manner as prescribed by law for executions and shall be entitled to the same fees for his services in executing the warrant to be collected.

c. The Clerk may also have a writ of garnishment to subject any indebtedness due to the delinquent dealer by a third person in any goods, money, chattels, or effects of the delinquent dealer in the hands, possession, or control of the third person in the manner provided by law for the payment of the tax due. Upon payment of the execution, warrant, judgment, or garnishment, the Clerk shall satisfy the lien of record within 30 days.

(j) Tax revenues may be used only in accordance with the provisions of Section 125.0104, Florida Statutes.

(k) Three percent of the tax collected herein shall be retained by the Clerk for costs of administration. The remainder of the tax shall be deposited in the county tourist development trust fund on a monthly basis.

SECTION 2. Section 20-72, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-72. - Tourist development plan.

(a) *Revenue projections.* The tax revenues pursuant to this section for the next fiscal year and thereafter until amended by the Board shall be used to fund the Okaloosa County Tourist Development Plan, which is hereby adopted as follows:

The anticipated annual revenues to be produced by the tourist development tax as identified herein in parenthesis for each budget category is provided as an annual total based on past collection trends projected forward. The projected revenues are estimates and may vary from those identified herein. The amounts shown have already been reduced by the costs of administration retained by the Clerk pursuant to its local tax administration authority under the provisions of Okaloosa County Ordinance No. 92-08 and Section 20-71 (k) above.

(b) *Taxing district boundaries.* The geographic area included within the County's sub-district is depicted on Exhibit A, as attached hereto and incorporated herein.

(c) *County tourist development plan.* The county hereby determines that the tourist development plan for the sub-district shall be comprised of the following broad goals and objectives and makes the following findings of fact:

(1) *Tourism promotion.* The tourism related economy within Okaloosa County generates significant direct and indirect revenue to businesses within the community. Accordingly, tourism is essential to a healthy economy and is a driving force in the growth of business development and increased employment opportunities for County residents. The County has worked diligently on the development and maintenance of quality advertising, sales, marketing and public relations initiatives for the sub-district which presents a consistent and positive brand for the area. This branding is essential to the development of this section of the economy and the County will work towards the development and implementation of unified marketing campaigns. These campaigns will be monitored and analyzed by the Tourist Development Council (the "Council"), the Director and tourist development department staff with, at a minimum, quarterly reports provided to the Board. Within the guidelines set forth herein, the campaigns shall be conducted with funding levels designed to achieve maximum positive promotional exposure to potential visitors to the sub-district. The primary objective for the campaigns shall be the maintenance of consistent positive "branding" which consists of image and name recognition and the further development of "year round business," to encompass group and leisure business.

The support for a variety of special events is another productive means to further the development of year round business and bolster image and name recognition for the sub-district. Funds may be allocated on an annual basis for support of special events approved by the Board in accordance with procedures provided in the adopted Tourist Development Council Operation and Procedures Manual. The development of a visible and professional support community for local production of film and advertising projects is a positive investment both in the sub-district economy and in the overall branding for the County.

The County determines that continuing maintenance efforts to keep the beaches, waterways, access ways and other tourist destination facilities within the sub-district clean, attractive and safe for public usage are important to the image and marketing of the primary asset of the sub-district and may include a mechanical beach cleaning program for all Gulf beaches within the sub-district outside of those owned or controlled by the Federal government. This also includes the maintaining of the aesthetics of access corridors within the sub district so as to provide a consistent positive branding for the area.

(2) *Convention business development.* The county has operated the Emerald Coast Convention Center ("ECCC") since 2003 and its value as a catalyst for the growth of the conference/convention/group business segment of the visitor population is well established and is an effective means of developing year round business in the sub-district. The ECCC will continue to be managed in house or by contract with professional management firms, or by a combination of the two. The facility will also provide a venue for cultural, educational, sport and entertainment events which will be a positive draw for visitors as well as a benefit to the overall quality of the branding of County products. The County will continue to explore options for the future expansion of the ECCC facilities and functions.

(3) *Product improvement.* The county determines that the beaches and waters of the Gulf of Mexico and the Choctawhatchee Bay are the focus of the attraction that the sub-district offers to our visitors. This includes not only the beach and waterways themselves but the tourist destination facilities, including recreational facilities within the sub-district, which allow greater access and enhanced enjoyment of these areas. Accordingly, both the maintenance and improvement of these natural assets and other tourist destination facilities, including the improvement of public access to and use of these assets, are essential to the preservation and improvement of the very foundation of the economy that the County is promoting.

The long-term maintenance goals of this plan also include the use of tourism tax revenues as a part of an ongoing partnership between federal, state and county and municipal entities for the restoration and re-nourishment of the beaches within the sub-district. The County will continue to fund the permitting and construction of restoration and re-nourishment projects for beaches within the sub-district. This will facilitate the dual goal of this long-term restoration plan and preservation and management of the County's waterfront resources and other tourist destination facilities within the sub-district, including the improvement of public access to those resources and facilities throughout the sub-district. This component of beach access improvement and beach restoration and monitoring is essential for ensuring access for visitors utilizing non-waterfront accommodations. The maintenance of beach access facilities and other tourist destination facilities promotes a broader accommodation base by improving access for non-waterfront accommodations. Accordingly, the allocation of tourist tax revenues for the improvement, maintenance and repair of our beaches and waters and other tourist destination facilities, including access to these facilities, is an appropriate use of these revenues when and if funding is available.

An essential component of product improvement is to provide a safe environment for the use of the beaches, waters and facilities. Therefore,

the allocation of tourist development tax revenues for the provision of lifeguard services for the beaches and waterways is an appropriate use of these revenues when and if funding is available.

(4) *Administration.* The county determines that the best means for administration of the tourism tax revenues allocated under this plan is local administration by the Director of the Tourist Development Department under the direction of the County Administrator. The administration of the revenue collection process shall be carried out under a subcontract with the Clerk's Office, as provided for by separate Ordinance 92-08.

(5) *Reserve or emergency operations fund.* The county determines that it is prudent, based on actuarial and actual experience, to maintain a reserve fund for the purpose of supplementing standard promotional functions and beach maintenance efforts and for restoration of the county's beach improvements in the aftermath of a major storm event which impacts sub-district coastal areas. This reserve amount should be carried forward as a budget allocation from year to year and should be in sufficient amount, as determined by the Board to address recovery needs in these areas in the case of a catastrophic storm event. These funds are also available for allocation in the case of extraordinary beach maintenance needs related to natural or man-induced events requiring additional beach cleaning efforts and equipment following the impact of an emergency event. The Council, through the Director, will be responsible for recommending to the Board when and how these funds should be used in the event of an emergency or catastrophic storm event.

(d) *Tax revenue projections and allocations.* Pursuant to the requirements of Section 125.0104(4), F.S., the tax revenues collected pursuant to this Ordinance shall be used to fund the goals and uses identified in the Okaloosa County Tourist Development Plan as set forth above. The allocation shall begin Fiscal Year 2012-2013 and shall continue for subsequent fiscal years until amended by the Board.

(1) For the revenues generated by the first percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:

a. To provide beach park facilities or beach improvements, maintenance, renourishment, restoration and erosion control, including shoreline protection, enhancement, access, cleanup or restoration of other waterways and tourist destination facilities within the sub-district for which there is public access, including the beaches located within the city limits of the City of Destin. (24 month projected revenue total, net of administrative charges, is $4,074,000).

b. To the extent that such proceeds are not required for those uses set forth under section 20-72 (1) a. above, then such proceeds may be used for any other purposes authorized under section 125.0104 (5), Florida Statutes.

(2) For the revenues generated by the second percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocations shall be as follows:

a. Beach, waterways and other tourist destination facilities, improvements, landscaping, operations and maintenance including lifeguard services and protection. (24 month projected revenue total, net of administrative charges, is $2,824,000).

b. Tourist bureau administration. (24 month projected revenue total, net of administrative charges, is $1,250,000).

c. To the extent that such proceeds are not required for those uses set forth under section 20-72 (2) a. and b. above, then such proceeds may be used for any other purposes authorized under section 125.0104 (5), Florida Statutes.

(3) For the revenues generated by the third percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:

a. The operations of the convention center, the beach or any other beach park or tourist destination facility. (24 month projected revenue total, net of administrative charges, is $4,074,000).

b. To the extent that such proceeds are not required for those uses set forth under section 20-72 (3) a. above, then such proceeds may be used for any other purposes authorized under section 125.0104 (5), Florida Statutes.

(4) For the revenues generated by the fourth percentage point on each dollar for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:

a. For the payment of debt service on bonds issued to finance the construction, reconstruction or renovation of a convention center and to pay the planning and design costs incurred prior to the issuance of such bonds. The Board determines that the extension of the fourth

percentage point is necessary to provide funds to operate, maintain, repair or renew the convention center. Therefore, following the expiration of bonds issued to fund the construction of the convention center, the proceeds of the fourth percentage point shall be used for any future expansion, renovation or reconstruction of the convention center. (24 month projected revenue total, net of administrative charges, is $4,074,000).

b. To the extent that such proceeds are not required for those uses set forth under section 20-72 (4) a above, then such proceeds may be used for any other purpose authorized by section 125.0104(3) (l) 2, 3, or 4, Florida Statutes

(5) The fifth percentage point shall remain in effect until further action by the Board. For the revenues generated by the fifth percentage point on each dollar, for each year beginning with Fiscal Year 2012-2013, the allocation shall be as follows:

a. Tourism promotion. (24 month projected revenue total, net of administrative charges, is $4,074,000).

SECTION 3. Section 20-73, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-73. - Tourist development council.

(a) Established. There is hereby established, pursuant to the provisions of Section 125.0104, Florida Statutes, an advisory council to be known as the "Okaloosa County Tourist Development Council" (the "Council"). The members of the Council shall elect from among their members a member to serve as chairman of the Council and prescribe the term of office.

(b) Duties and responsibilities. The Council hereby established shall make recommendations to the Board for the effective operation of the uses of the tourist development tax revenue raised by the tax hereby levied and may perform such other duties or functions as hereinafter may be prescribed by ordinance or resolution.

(c) Review of revenue expenditures. The Council and the Director shall continuously review all expenditures of revenue raised by the tax hereby levied and shall report to the Board all expenditures of said revenue believed to be unauthorized by the provisions of this article. The Board, upon receiving notification of expenditures believed to be unauthorized by the council, shall review the Council's findings

and take such administrative or judicial action as it sees fit to ensure compliance with this article and the provisions of Section 125.0104, Florida Statutes.

SECTION 4. Section 20-74, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-74. - Failure to charge or collect tax.

Any person who is taxable hereunder who fails or refuses to charge and collect from the person paying any rental or lease the taxes herein provided, either by himself or through his agents or employees, shall be, in addition to being personally liable for the payment of the tax, guilty of a misdemeanor of the second degree, punishable as provided in Section 775.082, Section 775.083 or Section 775.084, Florida Statutes.

SECTION 5. Section 20-75, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-75. - Representation that tenant or lessee need not pay tax.

No person shall advertise or hold out to the public in any manner, directly or indirectly, that he will absorb all or any part of the tax, or that he will relieve the person paying the rental of the payment of all or any part of the tax, or that the tax will not be added to the rental or lease consideration, or when added, that it or any part thereof will be refunded or refused, either directly or indirectly, by any method whatsoever. Any person who willfully violates any provisions of this subsection shall be guilty of a misdemeanor of the second degree, punishable as provided in Section 775.082, Section 775.083 or Section 775.084, Florida Statutes.

SECTION 6. Section 20-76, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-76. - Tax deemed lien.

The tax hereby levied shall constitute a lien on the property of the lessee, customer or tenant in the same manner as, and shall be collectible as are, liens authorized and imposed in Sections 713.67, 713.68 and 713.69, Florida Statutes.

SECTION 7. Section 20-77, Code of Ordinances is hereby amended as follows and shall read in its entirety:

Sec. 20-77. - Representation of county tourism.

No business entity, other than a county tourism promotion agency, within the boundaries of Okaloosa County, Florida, shall use names as specified in Section 125.0104(9)(e), Florida Statutes, including "visitor information centers" when representing itself to the public as an entity representing tourism interest of the county.

Being a county levying the tourist development tax as aforesaid, in addition to any other powers and duties provided for agencies created for the purpose of tourism promotion by Okaloosa County, such agencies are authorized and empowered to represent themselves to the public as convention and visitors bureaus, visitors bureaus, tourist development councils, vacation bureaus, county tourism promotion agencies, or visitor information centers.

PASSED AND ADOPTED in Regular Session this 18th day of September, 2012.

BOARD OF COUNTY COMMSSIONERS
OF OKALOOSA COUNTY, FLORIDA

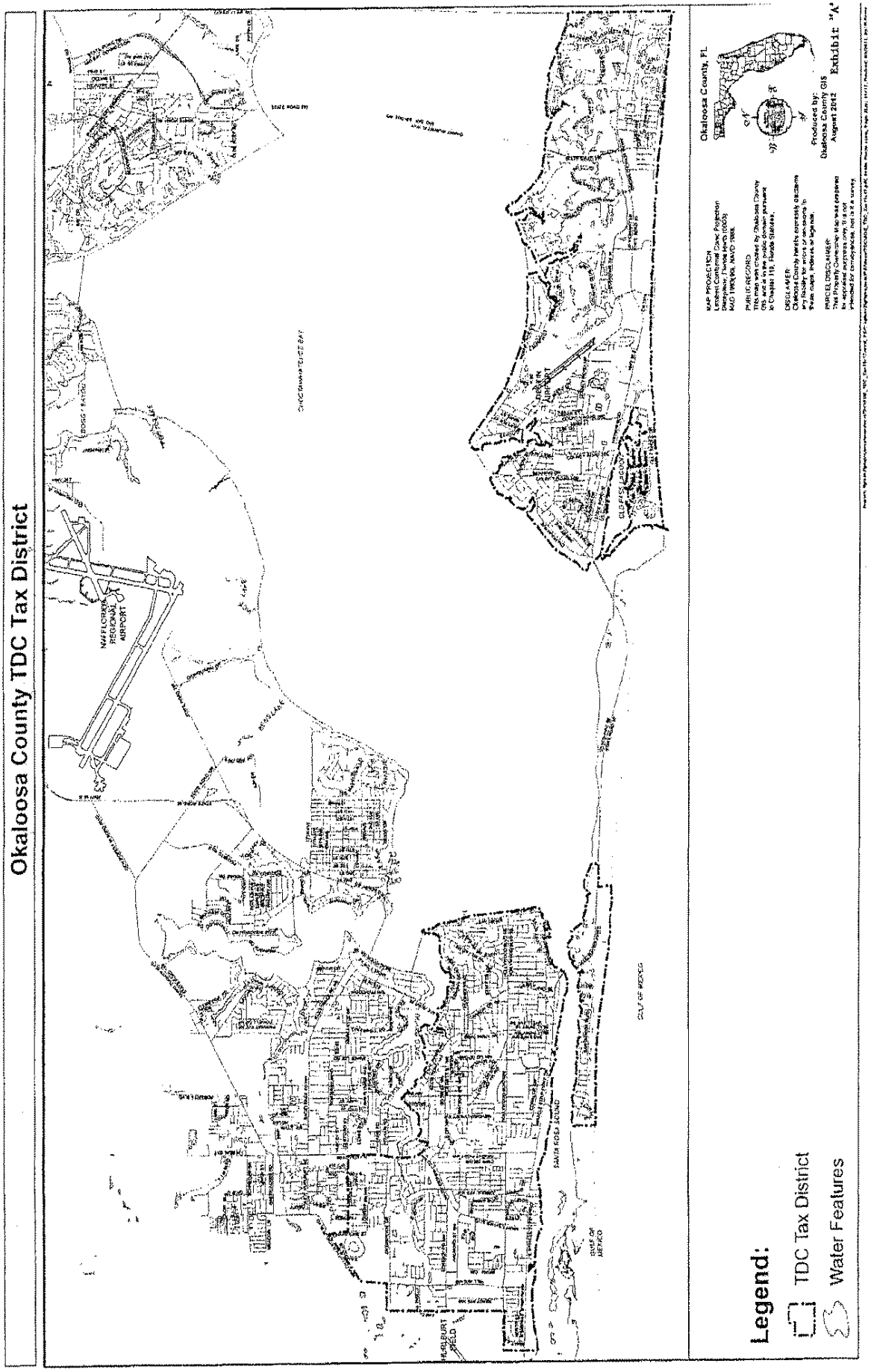
ATTEST:

DON HOWARD,
Clerk of Court

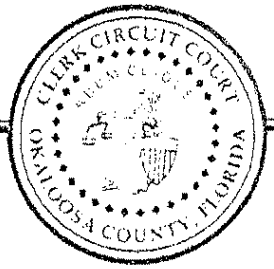
DON R. AMUNDS,
Chairman

SEAL

12


Okaloosa County TDC Tax District
NW FLORIDA REGIONAL AIRPORT
CHOCTAWHATCHEE BAY
GULF OF MEXICO
Legend:
TDC Tax District
Water Features
Okaloosa County, FL
Produced by:
Okaloosa County GIS
August 2012
Exhibit "A"

DON W. HOWARD
CLERK OF THE CIRCUIT COURT, OKALOOSA COUNTY, FLORIDA



September 24, 2012

Mrs. Liz Cloud, Program Administrator
State Library and Archives of Florida
R. A. Gray Building
500 South Bronough Street, Room 101
Tallahassee, FL 32399-0250

Dear Mrs. Cloud:

Please find enclosed certified copies of Ordinance Numbers 12-19, 12-20, 12-21, and 12-22 to be placed on file in your office. The Okaloosa County Board of County Commissioners adopted these ordinances on September 18, 2012. Thank you for your assistance.

Sincerely,

DON W. HOWARD
CLERK OF CIRCUIT COURT

Teresa Ward
Teresa Ward
Deputy Clerk

Enclosure

Certified Mail Article #7160 3901 9849 4730 1578

REPLY TO:
☐ 101 E. JAMES LEE BLVD. • P.O. DRAWER 1359 • CRESTVIEW, FLORIDA 32536-1359 • (850) 689-5000
☐ SHALIMAR ANNEX • 1250 N. EGLIN PKWY, SUITE B-110 • SHALIMAR, FLORIDA 32579 • (850) 651-7200
☐ BRACKIN BUILDING • 302 NORTH WILSON ST., SUITE 203 • CRESTVIEW, FLORIDA 32536 • (850) 689-5000

ATTACHMENT

"B"

NORTHWEST FLORIDA'S
EMERALD COAST
OKALOOSA ISLAND ~ DESTIN ~ FORT WALTON BEACH

~

EMERALD COAST
CONVENTION & VISITORS BUREAU, INC.
800-322-3319

OPERATIONS & PROCEDURES MANUAL

ATTACHMENT B

REVISED: ***September 18, 2012***
Revision: ***# 14***
TDC approved: ***August 6, 2012***
Board approved: ***September 18, 2012***

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A.000 GENERAL

A.100 STATEMENT OF ORGANIZATION

Pursuant to the Local Option Tourist Development Act, Section 125.0104, Florida Statutes, Okaloosa County, Florida (the "County"), has: established an advisory group known as the Okaloosa County Tourist Development Council (the "Council"); imposed a Tourist Development Tax (5%); and approved a Tourist Development Plan pursuant to the mission set forth in A.400. The Council is responsible for advising the Okaloosa Board of County Commissioners (the "Board") on the implementation of the Tourist Development Plan in accordance with State and County Procedures and within budgetary limitations imposed by the Tourist Development Tax Revenues. The following areas are subject to oversight by the Council: 1) Emerald Coast Convention & Visitors Bureau, Inc.; 2) Emerald Coast Film Commission; 3) Emerald Coast Convention Center; and 4) Emerald Coast Official Visitor Welcome Center. In order to establish the procedures by which the Council will carry out its business and the Tourist Development Plan will be implemented, the Council and the Board have approved this Operations and Procedures Manual as the guiding instrument.

A.200 LOCATION OF OFFICE

The Council has established its business offices at 1540 Miracle Strip Parkway SE, Fort Walton Beach, FL 32548. All official business correspondence with the Council or any of its members shall be directed to the Okaloosa County Tourist Development Council, P.O. Box 609, Fort Walton Beach, FL 32549-0609.

A.300 LEGAL AUTHORITY

Legal authority for the Council is found under Section 125.0104, Florida Statutes, (2007 Supp.) known as "The Local Option Tourist Development Act"; Okaloosa County Ordinance 89-23 as subsequently amended and Resolution No. 89-40, establishing the Council and stating the intent to levy a Tourist Development Impact Fee. As an appointed *Advisory/Oversight Board* of the Board, the Council is bound by State and County Laws, Ordinances, and Procedures governing the Council members and their activities, on procedures of expenditures of the tourism impact fees.

A.400 MISSION

1) The Council's primary responsibility is to advise and make recommendations to the Board on matters related to tourism sales, marketing, and advertising of our beautiful Emerald Coast to the "outside world" to help increase overall visitation. The Council shall advise and make recommendations to the Board for the effective operation of the special projects or for uses of the Tourist Development Tax revenue. The Council shall continuously review expenditures of revenues from the Tourist Development Trust Fund and shall receive expenditure reports, at least quarterly, from the Tourist Development Director (the "Director"). The Council shall periodically make recommendations to the Board for changes to the approved Tourist Development Plan.

2) The Council shall also make recommendations on the promotion and operation of the Emerald Coast Convention Center, operation of the Visitors Welcome Center, the funding of beach cleaning, beach restoration improvements, a certified mandated State of Florida turtle watch program, water testing throughout Choctawhatchee Bay and the Gulf of Mexico, the Emerald Coast Film Commission, funding a percentage of the Beach Life Saving Program (beach lifeguards), funding public beach County access parks, funding improvements and maintenance of other tourist destination facilities within the sub-district, funding the artificial reef program, and overseeing the environmental council.

A.500 COUNCIL COMPOSITION/VACANCIES

1) **Composition.** The composition of the Council shall be as set forth in Section 125.0104, Florida Statutes, and Resolution 89-40 dated April 18, 1989, as amended. The two seats required for municipal elected officials shall be filled with one member from the Fort Walton Beach City Council or Mary Esther/Cinco Bayou City Council, and one member from the Destin City Council (these positions serving as liaison members of those municipalities). In addition, the composition of the Council shall, to the greatest extent possible, reflect equal representation for the distinct geographic areas of the district. Therefore, the composition shall include 4 members from the Fort Walton Beach/Mary Esther/Okaloosa Island/Cinco Bayou areas (with emphasis given to Okaloosa Island and Fort Walton Beach) and 4 members from the Destin area, or as close to this distribution as possible and at least 3 and no more than 4 of them should be owners and/or operators of motels, hotels, recreational vehicle parks, or other tourist accommodations in the county which are subject to the tax.. The 4 members from the two distinct areas shall include the City Council liaison from each of the two distinct areas listed above. The importance of industries represented on the Council shall be prioritized as follows; lodging, major attractions, restaurants, and

retail. The ninth (9th) member shall be the designated liaison from the Board as per Section 125.0104, Florida Statutes.

2) **Terms.** All Council members shall be appointed to staggered terms of four (4) years, with the exception of the liaison members of the municipalities and the Board liaison who serve as appointed by their respective City Council and the Board and their terms are subject to re-appointment or their term expiration, whichever comes first. No Council member shall serve more than a maximum of two (2) four (4) year consecutive fiscal year (Oct. 1st-Sept. 30th) terms. The Council member terms shall begin on October 1st of the year of appointment and terminate on September 30th of the fiscal year their term expires. Terms for the Chairman and Vice-Chairman are limited to one (fiscal) year. The Board shall have the option of designating the Chairman or allowing the Council to elect a Chairman. They may be re-appointed by a majority vote of the Council members but cannot serve more than two (fiscal) year terms. The Chairman and Vice-Chairman terms shall begin on the first day of October of the fiscal year of appointment and terminate on the 30th of September.

3) **Council Appointments.** The Council shall recommend at least one candidate for appointment to each open council seat to the Board, as the expiration of regular terms require. For all seats except the two reserved for elected municipal officials and the one reserved for a member of the Board, the appointment process shall begin with the selection of an ad hoc committee of council members not being considered for re-appointment by the Council. Tourist Development Department staff will publicly announce the open seats to prospective committee members and ask to receive resumes from such. Resumes and letters of interest will then be given to the ad hoc committee for them to begin the selection process. Formal interviews shall be conducted by the ad hoc committee and the ad hoc committee shall rank the candidates answers by pre-determined evaluation criteria. After the ad hoc committee has conducted a review of all interested resumes and after they have conducted in-person interviews and calculated evaluation scores, then the ad hoc committee will present the successful candidate(s) to the Council for consideration at the Council's regular meeting. The Council will review the candidate(s) and make a recommendation to the Board for final approval and appointment to serve on the Council.

4) **Local Government Seats.** The two seats reserved for elected municipal officials shall be presented by the Council for appointment by the Board upon the nomination of their respective municipal governing bodies. The nomination and approval of the two elected officials to serve as the Council's recommendations to the Board shall be carried out at a regularly scheduled public meeting of the nominating municipal governing body at least two months prior to term start dates. The nomination of each representative

shall be done in accordance with that body's specific rules and procedures for this type of nomination.

5) **Vacancies.** Should any seat on the Council become vacant, a replacement to serve the remainder of that term shall be nominated and appointed in the same manner as the nomination and appointment of the person whose absence created the vacancy. If the appointment to fill the vacant position is for greater than a two year term, then it counts as a full term. Municipal appointee vacancies will be filled by requesting from the respective governing bodies Mayor, a replacement for that position with a representative if possible with tourism interests.

6) **Removal/Resignation.** Any member shall be subject to removal from the Council if they miss three (3) Council meetings during the per fiscal year. Special consideration/leniency will be given for any absences due to Acts of God, personal illness/medical, and/or family emergencies. The member will be notified of the potential removal after the third absence and the Council will vote at its next regular meeting whether to recommend removal of that member to the Board. If one of the elected municipal or county officials on the Council is removed for this reason, the applicable governing entity shall be required to submit a different elected representative as nominee for their replacement. In the event a Council member no longer conforms to the criteria listed in Section A.500(1) of this Manual, to hold the seat to which they were appointed, said Council member shall forward a letter to the Council and the Board stating these facts and shall additionally tender a letter of resignation along with this submittal.

A.600 **STAFF**

1) **Tourist Development Director.** The Director will administer and coordinate the operations of the Council. The Director will be an employee of Okaloosa County and serve as Director of the Tourist Development Department, oversee the Emerald Coast Convention Center Management; Emerald Coast Film Commission, and the Visitor Welcome Centers and all divisions under the Tourist Development Department, in that capacity, shall report to the County Administrator. The Director will supervise all Tourist Development Department staff and shall be responsible for, and make recommendations to the Council and County Administrator concerning the operation of the Council and Tourist Development Department business. The Chairman of the Council may be a part of the Director's annual performance process and may provide comments and recommendations to the County Administrator for incorporation as part of the annual review process.

2) **Tourist Development Department Staff.** All Tourist Development Department staff shall be employees of the County, with all benefits provided

by the Board paid from the Tourist Development Trust Funds, and shall report to and be supervised by the Director. As such, said personnel will receive all standard County employee benefits paid through the Tourist Development Trust Funds, and be subject to all County employee regulations, in addition to those provided in this Manual. The designated work stations for staff shall be the business offices of the Tourist Development Department located at the County Visitors' Welcome Center and the Emerald Coast Convention Center.

A.700 REGULAR COUNCIL MEETINGS

The Council shall meet no less than quarterly on the fourth (4th) Wednesday of the month at 1:00 p.m., or as directed by the Chairman. Special meetings may be called by the Chairman as the need arises. The duration of each meeting will vary according to the length of the meeting agenda.

A.710 LOCATION AND NOTICE

Council meetings will be held at the Emerald Coast Convention Center or as otherwise designated by the Director. All meetings will be duly advertised in a newspaper of general circulation within the sub-district. Notice will also be placed on the Okaloosa County web site on the Commissioners monthly meeting calendar. Individuals wishing to receive e-mail notifications of upcoming meetings may contact the Tourist Development Department office.

A.720 AGENDA

An agenda will be prepared for each Council meeting by the Director. Council members wishing to place an item on an upcoming agenda must submit their request to the Director at least one (1) week prior to a regularly scheduled meeting. Department staff shall provide background information on each agenda item as appropriate, and such information shall be available to Council members at least two business days prior to a scheduled meetings.

A.730 RULES OF PROCEDURE

1) **Public Participation.** Meetings of the Council will be conducted by the Council Chairman, the Vice-Chairman, or their designee, in a manner to permit the greatest possible participation by all Council members and the interested public.

2) **Majority/Quorum.** The formal actions of the Council will be approved by majority vote of the Council with all members present required to vote unless

a member has abstained. Five (5) Council members shall constitute a quorum of the Council for purposes of conducting business.

3) **Abstention.** Any Council member desiring to abstain from voting shall publicly disclose the reason for their abstention before the vote is taken, in compliance with Section 286.012 and Chapter 112, Florida Statutes. Full disclosure must be made in writing within fifteen (15) days after the date of such meeting.

4) **Agenda.** The Director shall prepare and advertise an agenda for each meeting of the Council. Each meeting shall include a public comment/participation period. Requests for action stemming from any oral or written presentation from the public participation period shall be placed under consideration by the Council and acted upon at the following scheduled meeting.

5) **Rules.** The Council meetings shall be subject to all the procedural requirements of Chapter 286, Florida Statutes.

A.740 **MINUTES**

Written minutes shall be kept of each Council meeting. A written summary of each meeting shall be presented at the next Council meeting for approval by Council members. Such written summary shall show the persons in attendance, the major items of discussion, resolutions or other major action taken at such meetings, and items presented during public participation periods. The Council shall abide by Florida Statutes in regard to minutes and public participation. In addition, an audio-recording of each meeting shall be made and retained as a public record.

A.750 **NOTICE TO PUBLIC**

Information about the times and places of all Council meetings shall be provided in conformance with the requirements of Florida Statutes.

B.000 STANDING COMMITTEES

The only standing committee serving the Council shall be the Marketing Committee. From time to time the Council may establish *ad hoc* committee(s) for a specified task(s).

B.100 GENERAL PURPOSE

1) The general purpose of standing committees will be to provide information to the Council on specific areas or items of interest to the Council and to assist the Council in the implementation of County Tourist Development Plan. Committee recommendations will have no binding authority upon the Council or the County. The Marketing committee shall provide some or all of the following specific services to the Council at the request of the Council:

   a. Review and monitoring of the creative content of the area's tourism marketing program.

   b. Local tourism industry input to the Council or Department staff providing marketing services as well as the contracted tourism advertising and/or public relations consultants.

   c. Review and recommendation of advertising and marketing consultants to the Council.

   d. Review and recommendation to Council on specific tourism marketing proposals presented to the Council by private industry and non-profit organizations.

   e. Review and make recommendations for special event funding as stipulated in the Special Event Guidelines.

B.200 SELECTION AND COMPOSITION

1) Individuals interested in serving on a committee shall submit a brief resume' consisting of background experience relating to a specific committee's purpose, general education and business and professional experience. The Director and the Chairman or Vice-Chairman of the Council will review the qualifications of the potential committee member(s) submitted for consideration and recommend qualified candidates for all open seats on the committee. The Council shall approve all appointments to the Marketing Committee.

2) The Marketing Committee should be balanced as to geographic distribution to reflect equal representation of the distinct geographic areas, age groups,

occupation, knowledge of and experience with the Committee's subject matter and the nature of each member's interest within the sub-district. It is highly recommended that there is appropriate representation from the lodging industry, attractions/museums, restaurants, retail, and marketing/advertising professionals within the tourist development taxing district. A marketing professional from the Northwest Florida Regional Airport may serve on a committee. It is recommended that a greater percentage of the committee's make-up be given to the lodging industry.

3) Committee vacancies, which occur during an appointed term, shall be appointed by the Council.

B.300 SERVICE AND REMOVAL

1) Committee members will serve for a term of two (2) fiscal years (terms can be longer depending on individual areas of expertise), (October 1 - September 30) from their original appointment. Terms will be staggered to ensure a consistent membership and continuation of Council business and recommendations. This will help foster greater participation and understanding throughout the Council's sub-district.

2) From time-to-time, committee members may be asked to consider an issue coming before their committee in which they have a conflict of interest. The committee members shall publicly disclose their interest and abstain from acting on that issue in the manner described by State law, Section 286.012 and Chapter 112, Florida Statute. Full disclosure must be made in writing within fifteen (15) days after such disclosure.

3) Any committee member shall be subject to removal from the committee if they miss three (3) regular Committee meetings during the period of one fiscal year (Oct 1st - Sept 30th) during their term. Special consideration/leniency will be given for any Acts of God, personal illness/medical, and/or family emergencies. The member will be notified of the potential removal after the third absence and the Council will vote at its next regular meeting whether to recommend removal of that member.

B.400 COMMITTEE MANAGEMENT

1) Committee meetings will be scheduled by the Council on an as-needed basis. The Vice Chairman of the Council shall serve as the Chairman of the Marketing committee. The Committee Chairman may schedule a meeting. Written minutes shall be kept of each committee meeting. A written summary of each meeting shall be presented at the next committee meeting for approval by committee members.

2) Written meeting notices will be mailed/faxed and/or e-mailed to all committee members approximately seven to ten (7-10) days in advance with follow-up calls to confirm attendance. A brief description of the purpose, subject, or program of the meeting will be contained in the notification. In order to encourage public participation at the committee level, public notice of all committee meetings will be provided in the same manner as public notices for Council meetings.

3) The quorum for each meeting of a standing committee shall be 50% of the total number of committee members plus one.

4) From time to time, "ad-hoc" committees may be appointed by the Chairman after advice from the Council to fulfill specific Council objectives which need further research and action.

C.000 PERSONNEL AND EXPENSES

C.100 PERSONNEL MATTERS

The Director shall make recommendations with respect to personnel issues and present to the County Administrator and Human Resources Director for final approval.

C.200 STATUS OF PERSONNEL

C.300 HUMAN RESOURCES POLICIES

As County employees, Tourist Development Department employees, are governed by Human Resource policies of the County in effect from time-to-time.

C.400 TRAVEL PROCEDURES

C.410 GENERAL

Travel related expense payments and/or reimbursements are governed by County Policies and Procedures applied under the provisions of Section 112.0601, Florida Statutes, as they are for all other County Departments. However, for certain travel and promotional expenses, staff is also governed by the broader provisions of Section 125.0104, Florida Statutes.

C.420 DEFINITIONS

Authorized Persons – Persons who obtain the required approval pursuant to Section C.430 of this Manual.

Class A Travel - Continuous travel of 24 hours or more away from official headquarters.

Class B Travel - Continuous travel of less than 24 hours which involves overnight absence from official headquarters.

Class C Travel - Travel for short or day trips where the traveler is not away from official headquarters overnight.

Official Headquarters - The official headquarters of an officer or employee assigned to an office shall be the city or town in which, or nearest to which, the office is located.

Travel Expenses - Usual, ordinary, and incidental expenditures that are necessarily incurred by a traveler.

Traveler - A public official, public employee, or authorized person when performing travel.

County Travel and County Expenses – Travel undertaken and/or expenses incurred by Travelers in context of usual business travel for purposes of staff development/professional education, meetings of purely professional affiliations, management of planning and construction of Product Improvement projects, staff retreats and other Manager-mandated staff Class A-C travel. Reimbursement for this travel and these expenses is governed by Section 112.061, Florida Statutes and Section C.450 of this Manual.

Promotional Travel and Promotional Expenses – Travel undertaken and/or expenses incurred by Travelers in context of advertising and promotional activities carried out pursuant to the Tourist Development Plan and annual promotional and advertising plan as approved pursuant to Section C.430 of this Manual. Reimbursement of these expenses will be subject to the limitations provided in Section 125.0104(9), Florida Statutes and Section C.500 of this Manual.

C.430 APPROVAL OF TRAVEL EXPENSES

All Council members and employees must have prior approval for travel and approval after-the-fact for actual travel expenses.

1) Tourist Development Department staff must receive prior approval of the Director.

2) The Director must receive prior approval of the County Administrator.

3) Council members must receive prior approval of the Board.

4) All foreign travel must receive prior approval of the Board.

C.440 TRAVEL FORMS

Official forms are used for travel approval and travel expenses reimbursement:

1) **Daily Travel Log** - This form is used only to obtain reimbursement for mileage incurred in use of a personal vehicle in local travel.

2) **Voucher for Reimbursement for Travel Expenses** - This form is used to account for travel advances and obtain reimbursement for all local mileage.

3) **Travel Requests**

   a. Obtain advance approval for travel.

   b. Request payment for registration for conference and conventions in advance of the actual event or as authorized under County Procedures and by Section 112.061(12), Florida Statutes, which governs authorization advances for anticipated travel costs.

C.450 REIMBURSABLE OUT-OF-COUNTY TRAVEL AND EXPENSES

Reimbursement is permitted for approved County Travel and Expenses incurred each day in conducting bona fide County tourism business, in accordance with County, State and Federal procedures. No one shall be reimbursed for any meal or lodging that is included in a convention, conference registration fee, or airline ticket.

1) Airline fare (at the lowest fare available) or other commercial carrier fare (ticket stub required to be attached to reimbursement request).

2) Any meal included in the fare must be deducted from the per diem reimbursement at the applicable rate. The approved traveler's copy of all ticket invoices shall be submitted as receipts.

3) Taxi, limousine, rental car (attach receipts).

4) Road tolls and parking fees (attach receipts).

5) Registration fees, however, and any meals and lodging included will be deducted in accordance with allowances provided in this policy. If available, an agenda or program schedule, along with a receipt, must be attached when requesting reimbursement.

6) Mileage as determined by the County (this amount may change due to Federal Standards dealing with the oil pricing Worldwide), when using personal vehicle. Mileage should be computed from the post of duty to the point of destination. Whenever possible, the mileage computation should be based on current DOT Map Mileage Chart.

7) Vicinity mileage will be paid when an employee, after having reached such employee's original destination, is required to travel within the County or other locations on official business.

8) All gifts, certificates, coupons, et cetera, received in conjunction with travel are to be turned over to the Tourist Development Department for further handling. In all cases, travel will be by the most economical means taking into account the employee's time involved and distances. If an employee, for such employee's own convenience, travels by auto which would result in more travel reimbursement than had such employee travelled by commercial means, reimbursement shall be limited to the amount had such employee traveled via commercial transportation.

C.500 REIMBURSABLE PROMOTIONAL TRAVEL AND EXPENSES

The Tourist Development Department is authorized and empowered to:

1) Provide, arrange, and make expenditures for transportation, lodging, meals, and other reasonable and necessary items and services for Tourist Development Department employees and other authorized persons, in accordance with Section C.430 of this Manual, in connection with performance of promotional, marketing, and advertising duties.

2) 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 made pursuant to this paragraph shall be substantiated by paid receipts. Complete and detailed

justification for all travel and entertainment related expenditures made pursuant to this paragraph shall be shown on the Travel Expense Voucher and attached to same.

3) Transportation and other incidental expenses other than those provided in Section C.400 of this Manual shall only be authorized for the Director and designated employees of the Tourist Development Department; and other authorized persons - travel writers, tour brokers, or other persons connected with the tourist industry - when traveling pursuant to paragraph 5 below. All other transportation and incidental expenses pursuant to this paragraph shall be as provided in Section C.400 of this Manual.

4) Pay by reimbursement only, except as specifically authorized by the County, through the Tourist Development Department, the costs of per diem and incidental expenses of the Director and employees of the Tourist Development Department , and other authorized persons for foreign travel at the current rates as specified in the federal publication, "Standardized Regulations (Government, Civilian, Foreign Areas)." The provisions of this paragraph shall apply for the Director or other designated employee of the Tourist Development Department , traveling in foreign countries for the purposes of promoting tourism and travel to the County, if such travel expenses are approved and certified by the Board. As used in this paragraph, the term, "authorized person," shall have the same meaning as provided in Section C.420, entitled, "Authorized Travel" means all travel outside the United States. Person(s) traveling in foreign countries pursuant to this paragraph shall be entitled to reimbursement or advancement pursuant to Section C.450 (1.) of this manual.

5) Pay by reimbursement only, except as specifically authorized by the County, through the Tourist Development Department , the actual reasonable and necessary costs of travel, meals, lodging, and incidental expenses of the Director and designated employees of the Tourist Development Department , and other authorized persons when meeting with travel writers, tour brokers, or other persons connected with the tourist industry, and while attending or traveling in connection with travel or trade shows. With the exception of provisions concerning rates of payment, the provisions of Section C.400 of this manual are applicable to the travel described in this paragraph.

D.000 TOURIST DEVELOPMENT PLAN AND BUDGET

D.100 TOURIST DEVELOPMENT PLAN ADOPTION

1) The Director shall present a recommended Tourist Development Plan to the Council.

2) The Council shall recommend to the Board any recommended changes to the Tourist Development Plan as necessary.

3) Pursuant to Section 125.0104(4)(d), Florida Statutes, the County has adopted a Tourist Development Plan by ordinance enacted by the Board. The Tourist Development Plan may not be substantially amended except by ordinance enacted by an affirmative vote of a majority plus one additional member of the Board.

D.200 BUDGET ADOPTION

1) Budget Process –

a. Initial Draft Budget - The Director is responsible for compiling the initial draft of the proposed annual budget for presentation to the Council prior to the date for submission of the annual budget proposal to the Board. This draft shall contain, at a minimum, the following items:

i. Estimates of projected tax revenues for the budget period.

ii. Budget information for all capital projects recommended by the Council for the budget year.

iii. Detailed line items for all proposed expense categories.

iv. Recommendations on staff positions and salary

b. Council Review – The Council is responsible for conducting at least one public meeting before June of each year on the proposed budget recommended by the Director before transmitting its proposed budget to the County Administrator.

c. Board Review – The Director and/or the Chairman of the Council will present the Council's budget recommendations to the County Administrator who will utilize the recommendation in preparing the budget submission to the Board during its budget review process. The Director shall inform and update the Council on any modifications to the recommended budget. If the Council objects to any modification, the objection(s) will be presented to the Board by the Chairman of the Council or his designee.

d. Council Review of Final Budget - The Director will present the budget approved by the Board to the Council within a timely period of the final approval. The Council shall review the approved budget to ensure conformity with the County Tourist Development Plan and the provisions of Section 125.0104, Florida Statutes, relating to the

authorized uses of tourist development tax revenues. If the Council has any objections to the approved budget, the objection(s) shall be presented to theBoard.

e. Budget Modifications and Reserve Expenditures- The Director will be responsible for presenting any proposed modifications to approved budget line items or allocation of reserve funds during the course of the budget year which require Board action to the Council for their review. The Council will be responsible for providing its recommendation on the proposed changes to the Board.

f. General Budget compilation and review by the Director and Council shall be governed by the relevant provisions of this manual, county budget ordinances and policy and state revenue rules and statutes. Council members shall have the support of the Director, County Finance Division staff, County Administrator and the Council Attorney in their efforts to participate fully in the budgeting process.

2) Marketing Plan

a. In conjunction with the review of the proposed budget, the Director will be responsible for preparing a detailed Marketing Plan, which shall set forth the proposed marketing activities and expenditures for those activities for the upcoming fiscal year.

b. The Marketing Plan shall be presented to the Council for review and recommendation. The Council's recommendations shall be presented to the Board for final approval in the form of a Resolution.

c. All advertising/marketing expenditures made during the fiscal year shall be in conformity with the approved Marketing Plan.

d. Any amendments to the Marketing Plan shall be reviewed and approved by the Council and the Council's recommendations shall be presented to the Board for final approval in the form of a Resolution.

D.300 ACCOUNTS

The Director, after consulting with the Chief Financial Officer of the County, shall establish such accounts within the County accounting system as shall be determined to be appropriate. All present tourist development tax revenues and those carried forward from year-to-year shall be placed in an interest-bearing trust fund in accordance with Florida Statutes, which shall then be re-allocated to various areas as required by Section 125.0104, Florida Statutes. In no case shall the Tourist Development Trust Funds be co-mingled with the general revenue of the County.

Intra-account transfers may be made upon recommendation in conformity with County policies and procedures.

Inter-account transfers will require a recommendation from the Council and approval by the Board by adoption of a Budget Resolution.

D.400 EXPENDITURES

1) All expenditures for operating expenses and capital items are to be made in conformity with established County policies.

2) Expenditures for acquisitions shall only be allowed utilizing the written purchase order procedures of the County's Purchasing Policy. A written purchase order will be required for the following expenditures:

   a. A purchase order for expenditures up to $25,000 requires approval by the Director and Purchasing Director.

   b. A purchase order for expenditures above $25,000 and up to $50,000 requires approval by the Director, Purchasing Director and County Administrator.

   c. A purchase order for services over $50,000 requires approval by the Board.

3) The following procedures shall be utilized for the purchase of items:

   a. Property being defined as fixtures and other tangible personal property of a non-consumable nature purchased with Tourist Development Trust Funds is owned by the Board and therefore, pursuant to Section 274.02, Florida Statutes, must be included in the inventory listing of Okaloosa County and tagged accordingly as required by the Auditor General.

   b. If the purchase price of the item is $1,000 or more, such item is defined as a "capital outlay" purchase and must be so noted.

E.000 CONTRACTS WITH THIRD PARTIES

E.100 CONTRACT SPECIFICATIONS

All functions determined by the Director and the Council to be handled by contract with third parties shall be entered into in accordance with the County's standard procedures, coordinated with the County Purchasing Department, including the issuance of Requests for Qualifications (RFQ's)

and/or Requests for Proposals (Purchase) (RFP's), required under County procedures (County Purchasing Manual and Contracts and leases Policies and Procedures Manual.

E.200 CONTRACT REQUIREMENTS

When making proposals to the Board for contracts with third parties, the Director, with advice from the Council, shall ensure that each proposed contract includes the following provisions:

1) The contract is made with the Board upon the recommendation of the Council and is to be administered by the Director. The Board is not bound by an agreement, unless and until it has executed the contract by a majority vote of the Board.

2) No modification to the contract will be binding until approved in writing by the Board.

3) Payments called for under the contract are subject to review by and approval of the Director and the Board in accordance with County policies and procedures and as may be required by statute.

4) The contracting person or company will produce written monthly and/or quarterly reports as to the status of all matters which are the subject of the contracts, and supply these to the Director for review.

5) All contracts and payments will be in compliance with the County's Contracts and Leases Policies and Procedures Manual and the County Purchasing Manual.

6) At the end of the stated term of a contract, the Council shall publicly consider whether the renewal of the contract should be competitively bid.

E.300 CONTRACT COMPLIANCE

1) The Director along with the County Purchasing Department shall oversee contract compliance by the contracting person or entity and make appropriate reports and recommendations to the County Administrator and the Council on a regular basis.

2) All contracts shall be in compliance with the County's Contracts and Leases Policies and Procedures Manual.

E.400 CONTRACT APPROVAL

No contract shall be submitted to the Board unless such contract shall have been reviewed and approved by the Director, Contracts/Lease Coordinator, Risk Manager, County Attorney and Contracts and Grants Manager, as this is required in the County's Contracts and Leases Policies and Procedures Manual, to indicate that such submission has been made and such approval has been obtained.

E.500 COMMUNICATIONS WITH CONTRACTORS

The Director shall act as liaison between the Board and contracting persons or entities. All correspondence from the Board/Council to such contracting persons or entities shall be administered by the Director, with copies of all correspondence to the County's Contracts/Lease Coordinator and the Contracts and Grants Manager.

E.600 CONTRACT PAYMENT APPROVAL PROCEDURES

1) Upon the approval of the budget by the Board, payments shall be made in conformity with the County Purchasing Manual.

2) All expenditures and payment approvals shall comply with the County's Contracts and Leases Policies and Procedures Manual and the County's Purchasing Manual.

3) All activities by entities under contract shall be pursuant to the written task order procedures of the County's Contract Policy. A written task order will be required for the engagement of any promotional activity or any expenditure.

   a. A task order for services up to $25,000 requires approval by the Director and Purchasing Director.

   b. A task order for services above $25,000 and up to $50,000 requires approval by the Director, Purchasing Director and County Administrator.

   c. A task order for services over $50,000 requires approval by the Board.

4) No invoice will be processed through the Clerk's Office without the executed task order and/or purchase order approved by the respective County officials. No invoice will be approved unless the actual invoice from the vendor accompanies the invoice reflecting the acquisition of goods/services.

E.700 ADDITIONAL PROCEDURES FOR ADMINISTRATION OF ADVERTISING AND PROMOTION CONTRACT

1) **Review of advertising product.** While the Director is charged with the general budgeting for and administration of the annual contract for provision of advertising and promotion services for the County's tourism promotion efforts, the artistic and highly visible nature of the products and services provided under the contract make it prudent that the Director incorporate a broader base for review and approval of artistic product generated by the contractor where possible. As such, the Council may, at a duly-noticed public meeting, review and approve print, radio and television advertising product produced under any advertising or public relations contract.

2) **Advancement of funds.** No advancement of funds will be issued unless specifically approved by the Board.

F.000 ACTIVITIES SUBJECT TO OVERSIGHT BY THE TOURIST DEVELOPMENT COUNCIL

F.100 GENERAL

Tourist Development Trust Funds may be budgeted by the Board for the following purposes, including but not limited to:

1) TOURISM PROMOTION: Development and maintenance of quality advertising, sales, marketing and public relations initiatives for the sub-district which presents a consistent and positive brand for the area; production of informational/promotional materials and systems, including publications, that it shall determine to be necessary or appropriate for the promotion of the special taxing district, and for local notification of projects as deemed necessary; support for a variety of special events to further the development of year round business and bolster image and name recognition for the sub-district; and continual maintenance efforts to keep the beaches, waterways, accessways and other tourist destination facilities within the sub-district clean, attractive and safe for public usage.

2) EMERALD COAST FILM COMMISSION: Operation and function of the Emerald Coast Film Commission to supply staffing requirements, materials, information, photos and guides to potential members of the film, photography and television industry to enhance the sub-district by increasing the economic impact by bringing in film and production companies, which will increase employment of our area's citizens and establish our area as an entertainment ready community.

3) OFFICIAL VISITOR/WELCOME-INFORMATION CENTER: Operation and function of the Official Visitor/Welcome-Information Center to supply materials, information, and guidance to the visiting public to the sub-district to a) unify the taxing district's local promotion of the tourism business, b) provide information to visitors and provide information and c) to maintain a record of number of visitors and their demographics.

4) EMERALD COAST CONVENTION CENTER: Operation and function of the Emerald Coast Convention Center, to supply staffing requirements, materials, information, supplies, meeting facilities, operations of the center to include water, sewer, electricity, landscaping, meeting requirements of the public to enhance the area taxing district by providing a venue for cultural, educational, sport and entertainment events which will be a positive draw for visitors and establish our area as a group/convention/motorcoach area.

5) PRODUCT IMPROVEMENT: Maintenance and improvement of the beaches and water of the Gulf of Mexico, the Choctawhatchee Bay and other tourist destination facilities , including the improvement of public access to and use of these assets, including recreational facilities within the sub-district are essential to the preservation and improvement of the very foundation of the economy that the County is promoting.

6) ADMINISTRATION: Administration of the tourism tax revenues shall be through local administration by the Director of the Tourist Development Department under the direction of the County Administrator. Administration of the revenue collection process shall be carried out under a subcontract with the Okaloosa County Clerk of Court pursuant to Okaloosa County Ordinance 92-08 as amended.

7) RESERVE/EMERGENCY OPERATIONS: Maintenance of a reserve fund for the purpose of supplementing standard promotional functions, product improvement areas, beach maintenance efforts and for restoration of the county's beach improvements in the aftermath of a major disaster which impacts sub-district coastal areas.

G.000 SPECIAL EVENT FUNDING

G.100 PURPOSE

The goal of the Tourist Development Department's special event funding grant program is, generally, to increase tourism along the Emerald Coast, and specifically, to increase occupancy by out-of-town visitors in lodging facilities within the tourist development tax sub-district, including Destin, Fort Walton Beach, Okaloosa Island, Mary Esther and Cinco Bayou.

G.200 AUTHORIZATION

1) The Tourist Development Department will set aside a portion of the overall annual budget (determined on a fiscal year during the County's budget process) in a grant program to supplement the efforts of individuals, groups, and organizations planning, coordinating, and managing special events expected to directly benefit local tourism and help to increase the overall average lodging occupancy for the event's particular time period.

2) When funding is provided, it will be to promote and attract increased tourism and not to support on-going programs or administrative costs unless a special event can show significant potential for or continued growth year after year or residual advertising value in the form of event generated souvenirs, awards and t-shirts. Grant funds are intended to increase incremental transient lodging occupancy in the special taxing district of Destin, Okaloosa Island, Fort Walton Beach, Mary Esther, and Cinco Bayou.

G.300 PROCEDURE

The Marketing Committee will review application forms on a quarterly basis and submit recommendations for funding to the Council for approval. The Marketing Committee will review applications and schedule presentations during their meetings held in the months of January, April, July and September and submit recommendations for funding to the Council during their meetings in the same months. Special event funding application forms are available at the Tourist Development Department administrative offices located in the Welcome Center buildings on Okaloosa Island, and also on the Tourist Development Department's web site. Funding will be determined by the Council pursuant to the procedures contained in Section E.600. The number and extent of grants will be dependent upon the availability of designated funds from year to year.

The following procedures shall be used by an applicant to solicit support of a special event:

1) Requests for funding shall be made to the Director or his designated agent on the approved application form. All applicants shall apply for funding and submit a completed application form to the Director of designated agent by the following dates each year: January 1, April 1, July 1, and September 1. The Director or designated agent will review the application forms and then forward a copy to each member of the Marketing Committee at least one week prior to the monthly Marketing Committee meeting dates in the months listed above. Applications will be reviewed and discussed during the Marketing Committee meetings in the months of January, April, and July of each year. The Marketing Committee will then submit its recommendations

for funding to the Council for review and/or approval within the same month. Applicants will be notified at the Marketing Committee meeting or within three days after the Marketing Committee meetings listed above whether or not their special event is recommended to the Council for funding. The Marketing Committee and/or the Council reserve the right to request additional information from the applicant prior to making decisions on whether to grant funding. Applicants might be asked to make a formal presentation to either the Marketing Committee and/or the Council before the Council makes a final decision.

2) The history and experience of the applicant members and/or the organization is extremely important when the Council considers awarding grants as well as the following; the soundness and potential of the proposed or existing special event to attract tourism - to which it is realistically conceived and capable of production within the proposed time frame, the extent to which the special event includes community support and coordination of resources among local, private, and public sector groups, and the extent to which other sources of funding for the special event are identifiable and are capable of providing funding.

3) Upon recommendation from the Marketing Committee and Council approval of an application, the Council shall establish the final dollar amount of the grant.

4) If an applicant is awarded a grant, the applicant will work with the Director or their designated agent to comply with procedures for submission of invoices and distribution of allocated funds.

G.400 Special Event Grant Funding Guidelines:

1) **Location and accessibility of Special Event:** The Special Event must take place within Okaloosa County and must be accessible to the public.

2) **Advertising Requirements:** The Okaloosa County Tourist Development Council logo must appear prominently in all advertising and publicity (written and/or electronic) for the special event. Advertising and promotion must take place in areas outside of Okaloosa County to ensure that funds will be used to attract overnight visitors. Social media advertising is acceptable, but audience selection must be documented.

3) **Required Match:** Special Event Grant Funds awarded shall represent no more than 50% of the total cost of the event, as documented in the final event report.

4) **Insurance requirement**: a certificate of liability insurance, naming Okaloosa County as an additional insured, is required before any reimbursements can be made.

5) **Authorized uses of Special Event grant funds**:

   a. Advertising and promotional expenses including, television, radio, newspaper, magazines, multi-media, billboards and signage (advertising must be published outside of Okaloosa County and actual ad/media is required for reimbursement);

   b. Preparation materials, such as brochures; and

   c. Any other appropriate expense allowable under Section 125.0104, Florida Statutes.

6) **Unauthorized uses of Special Event grant funds**:

   a. Sales tax;

   b. Annual operating expenses;

   c. Travel expenses;

   d. Private entertainment, lodging, food or beverages;

   e. Any other expenses not allowable under Section 125.0104, Florida Statutes.

7) **Final Evaluation Report**: each organization receiving Special Event grant funds must submit a Final Evaluation Report for the Special Event, which shall contain the following information:

   a. A brief narration of the event;

   b. An evaluation of the economic impact the event had on Okaloosa County;

   c. Include a breakdown of what lodging facilities were utilized and the rate and number of room nights generated by the event (copies of letters from the lodging facilities verifying room nights and rate shall be attached), any local attractions or businesses utilized as part of the event;

d. The original and one copy of each of the invoices and cancelled checks (front and back) paid by the organization in conjunction with the event.

e. A financial statement listing all of the revenues received and expenses paid in the course of the event.

f. One copy of the handouts, brochures, or other material used during the event.

G.500 **Special Event Grant Funding Criteria:** All applications will be subject to the following evaluation criteria:

1) **Commitment to the expansion of tourism in Okaloosa County** – Applications must contain evidence that the Special Event:

   a. Serves to attract out-of-county visitors generating overnight stays within Okaloosa County;

   b. Will be marketed to the fullest extent possible in an effective and efficient manner;

   c. Demonstrates a willingness on behalf of the applicant to work with the tourism industry.

2) **Soundness of proposed Special Event** – Applications must include the extent to which the project:

   a. Has clearly identified objectives;

   b. Has a realistic timetable for implementation;

   c. Has additional funding sources available that will be utilized; and

   d. Will accomplish its stated objective.

3) **Stability and management capacity** – Application must include:

   a. A proven record or demonstrated capabilities of the organization to develop resources, effectively plan, organize and implement the proposed Special Event.

   b. Documentation that the organization has a successful history of service in and to Okaloosa County;

c. Confirmation of organization representatives and proof that the organization approved the application for Special Event Grant Funds;

d. Evidence of the ability of the organization to administer public grants and to prepare and deliver the necessary reports to Okaloosa County.

4) **Quality and uniqueness of the proposed Special Event** – the application must include documentation of the extent to which the event provides a program for Okaloosa County visitors and its residents which is of significant merit and that, without such assistance, would not take place in Okaloosa County.

5) In addition, applicants must answer the following questions:

a. What added value can the Special Event create to a visitor's stay?

b. What incremental economic activity is stimulated through the quality of the visitor experience?

c. What incremental economic activity is stimulated by encouraging visitors to extend their stay?

G.600 SPONSORSHIPS

The funding of sponsorships of community, civic, cultural or other organizations shall be authorized but only where such funding will be used to promote and attract increased tourism and/or enhance and develop convention center use. Funding of sponsorships for organizations shall not be used to support on-going programs or administrative costs unless the overall activities of the organization will directly promote and attract increased tourism and/or enhance and develop convention center use.

1) The Tourist Development Department will set aside a portion of the overall annual budget to be available for the funding of sponsorships that meet the criteria.

2) The Council shall provide a recommendation of proposed sponsorships to the Board, certifying that such funding would meet the above criteria. The Board shall have final approval authority of all sponsorships.

H.000 OPERATIONS AND PROCEDURES MANUAL

The preceding Operations and Procedures manual may be revised from time-to-time upon recommendation of the Council and the approval of the Board.