

Monroe County Clerk of Circuit Court & Comptroller

Internal Audit Report



Audit of Tourist Development Council

2023-002

"Preserving Public Trust Through Accountability"

Report 2023-002
October 2023

Monroe County Clerk of Circuit Court & Comptroller
Kevin Madok, CPA

Interim Internal Audit Director
Pam Radloff, CPA

Auditors
Tammie Murray
Noah Browning
Kalina Bringle

About Monroe County Clerk's
Internal Audit Department

As part of the Clerk's constitutional responsibilities, the Monroe County Clerk's Internal Audit Department provides independent, accurate, and timely audits of Monroe County government's business activities, operations, financial systems, and internal controls. Internal Audit's audits and consulting services are designed to add value, increase efficiency of operations, advance accountability, and improve stewardship of public resources.

Monroe County's Internal Audit Department accepts confidential tips about fraud, waste, and abuse in Monroe County government or programs through its hotline (305) 292-5760 or at <https://monroe-clerk.com/fraud-waste-abuse>.



Kevin Madok, CPA

Clerk of the Circuit Court & Comptroller – Monroe County, Florida

October 31, 2023

SENT VIA EMAIL

The Honorable Mayor Craig Cates
Monroe County Board of County Commissioners
500 Whitehead Street
Key West, FL 33040
Email: cates-craig@monroecounty-fl.gov

Ms. Rita Irwin, Chairperson
Monroe County Tourist Development Council
58901 Overseas Highway
Grassy Key, FL 33050
Email: rita@dolphins.org

Dear Mayor Cates and Chairperson Irwin:

The Monroe County Clerk's Internal Audit Department completed an audit of the Monroe County Tourist Development Council (TDC) for the five-year period October 1, 2018, through September 30, 2023. Our audit procedures included examining adherence to the TDC's policies and procedures by the TDC's executive office, 3406 North Roosevelt Boulevard (d/b/a Visit Florida Keys).

The audit found repeated noncompliance with Monroe County's Purchasing Policy by Visit Florida Keys as well as a significant lack of internal controls and management oversight over TDC's financial transactions and annual financial reporting. The audit includes recommendations focused on providing Visit Florida Keys opportunities for improvement.

In addition, our audit revealed appearances of potential self-dealing by certain Visit Florida Keys' employees as well as possibly one of TDC's Agencies of Record. Based on the audit's findings, Internal Audit recently began audits to review the financial records of TDC's three Agencies of Record (i.e., Stuart Newman, Associates, Inc.; Two Oceans Digital; and Tinsley Advertising & Marketing, Inc.). These audits are on-going and will be released under separate cover.

We appreciate the courtesy and cooperation extended to the Clerk's Office by Visit Florida Keys staff that met with us.

Sincerely,

Kevin Madok, CPA
Monroe County Clerk of Circuit Court & Comptroller

Cc: Board of County Commissioners
Tourist Development Council
Bob Shillinger, County Attorney
Roman Gastesi, County Administrator
Internal Audit

KEY WEST
500 Whitehead Street
Key West, Florida 33040

MARATHON
3117 Overseas Highway
Marathon, Florida 33050

PLANTATION KEY
88770 Overseas Highway
Plantation Key, Florida 33070

Table of Contents
Audit of Monroe County
Tourist Development Council

Executive Summary..... 1

Monroe County’s Tourist Development Council 2

Purpose and Scope of Internal Audit 4

Lack Of Management Oversight And Financial Controls..... 5

 Lack of Internal Controls Over TDC Finances..... 6

 Sharing Passwords and Delegating Approvals 6

 Insufficient Invoice Review and Supporting Documentation 7

 Applying Purchasing Policies After-The-Fact 12

 Lack of Written Agreements 14

 Mishandling of Receipts 19

Conflicts of Interest 20

 Management’s Self-Dealings 22

 Using A Nonexistent Company To Bill For Services 24

Material Misstatements in TDC Annual Financial Reports 26

Executive Summary

The Monroe County Clerk's Internal Audit Department completed an audit of the Monroe County Tourist Development Council (TDC) for the five-year period October 1, 2018, through September 30, 2023. Our audit procedures included examining adherence to the TDC's policies and procedures by the TDC's executive office, 3406 North Roosevelt Boulevard (d/b/a Visit Florida Keys). We also reviewed internal controls over the processing of expenditures by Visit Florida Keys.

We reviewed Visit Florida Keys' adherence to Monroe County's Purchasing Policy as well as the procedures staff followed for processing TDC's expenditures. We found repeated instances where Visit Florida Keys lacked the needed management oversight to ensure that staff adhered to established policies and procedures. We made recommendations to Visit Florida Keys to strengthen internal controls over its handling of procurements and the processing of both expenditures and receipts.

Our audit tests also revealed a procurement arrangement that was entered into by Visit Florida Keys marketing director that raised serious ethical concerns. Further audit testing also uncovered that the TDC's Agency of Record for Public Relations submitted inappropriate reimbursement requests that may be a violation of law. Because of the severity of these potential issues, the Clerk's Office is unable to process any further payments for some of TDC's vendors until the BOCC reviews and addresses any potential breach of trust.

Finally, we took a critical review of Visit Florida Keys' annual financial reporting that is required by Monroe County Code. We found that the annual reports presented to the BOCC, General Public and the media materially misstated the TDC's fiscal year revenues and expenditures and could not be reconciled to the County's audited financial records. We included recommendations on how Visit Florida Keys can improve its financial reporting process.

Monroe County’s Tourist Development Council

The Florida Keys is branded as a premier get-a-way destination throughout the world because of its vast and distinct offerings. The Keys are viewed by many as an adventurous escape to a temperate climate during the harsh winter months. Others crave the countless and unique experiences offered by the Keys from great fishing resources to premier diving and snorkeling opportunities to cultural and diverse attractions, activities, and events.

In the early 1980’s, Monroe County recognized the need to market, promote, and manage itself as a desirable tourist destination by creating the Monroe County Tourist Development Council (TDC). As allowed by s. 125.0104, F.S., Monroe County began levying a tourist development tax to financially support the TDC. The tourist development tax is paid by any person who rents, leases, or lets any living quarters or accommodations in the county for six months or less. In fiscal year (FY) 2023 (October 1, 2022 through September 30, 2023), Monroe County recorded collecting over \$58.9 million in tourist development tax for the support of the TDC’s operations.

As provided by s. 125.0104(4), F.S., the TDC is an advisory council appointed by the Monroe County Board of County Commissioners (BOCC). The TDC has nine members who serve staggered four-year terms. The TDC contracts with a not-for-profit corporation, 3406 North Roosevelt Boulevard (d/b/a Visit Florida Keys), to operate the TDC’s executive office.

The TDC executive office is referred to as the TDC’s executive director in Monroe County Code. As the executive director, Visit Florida Keys serves at the pleasure of and is subject to removal by the BOCC. Monroe County Code Section 23-199((d) states, “[t]he executive director shall carry out the policies and programs established by the council and shall be in charge of the day-to-day operations of those policies and programs.”

To adhere to the provisions of Monroe County Code Section 23-199(d), Visit Florida Keys employs a marketing director who reports, “. . . directly to the Monroe County Tourist Development Council and indirectly to the BOCC.”¹ As Visit Florida Keys’ senior executive position, the marketing director is expected to execute, “. . . the goals, objectives, and policies set by the TDC with the Chairman of the TDC or his designee.”² The marketing director’s responsibility “. . . encompasses all staffing by organizing and managing Visit Florida Keys’ personnel and all agencies of record . . .”³ along with assuming responsibility for financial management of the not-for-profit.

¹ *Exhibit A, Marketing Director Job Description*, to Visit Florida Keys Marketing Director Employment Agreement, page 8.

² *Ibid.*, page 8.

³ *Ibid.*, page 8.

The TDC plays a key role in managing and maintaining a critical component of Monroe County's economy. The BOCC relies on the TDC to make recommendations for the effective operation of special projects or for uses of Monroe County's tourist development tax revenue. This includes recommending overall direction for Monroe County's tourism marketing efforts in a manner that will balance the long-term sustained growth of Monroe County's tourism revenues with the sustainability and improvement of the County's tourism industry and improvements to the quality of life of the County's residents. To achieve this expectation, the TDC relies on the recommendations made by its five District Advisory Committees (DACs). Each DAC is comprised of nine members serving three-year terms. The DACs are bound by the same policies and procedures that apply to the TDC. Each DAC is responsible for a specific geographical area within Monroe County:

- District I – encompasses the city limits of Key West
- District II – from the city limits of Key West to the west end of Seven Mile Bridge
- District III – from the west end of the Seven Mile Bridge to the Long Key Bridge
- District IV – from the Long Key Bridge to Mile Marker 90.939
- District V – from Mile Marker 90.940 to the Dade/Monroe County line and any mainland portions of Monroe County

Finally, the success of the TDC and its DACs are dependent on an effective, competent, and transparent executive office that possesses the expertise and professionalism to promote Monroe County tourism in domestic and international markets as allowed by Florida statutes and Monroe County ordinances.

Purpose and Scope of Internal Audit

The Monroe County Clerk of the Circuit Court & Comptroller (Clerk) requested the Clerk's Internal Audit Department perform an audit of Monroe County's TDC. The TDC is charged with managing Monroe County's tourism marketing efforts to ensure long-term economic stability resulting from visitor-related revenues. Monroe County's TDC is governed by state statutes and local ordinances. The TDC's funding has grown substantially since FY 2019 due to the unforeseen impacts of the global pandemic on the County's tourism industry.

The audited period was FY 2019 through FY 2023.

The scope of the audit included a review of:

- TDC's marketing efforts, including evaluating TDC's standard processes for attending expositions and similar venues;
- TDC's contracts that support their marketing efforts comply with Monroe County's procurement policies and procedures;
- TDC's travel-related expenditures are consistent with state statutes and local ordinances;
- TDC's processes to identify and/or avoid conflicts of interest; and
- TDC's tourism-related expenditures are eligible transactions that are properly supported and serve a valid, legal, and public purpose.

Lack Of Management Oversight And Financial Controls

Establishing a sound and effective internal control structure within an organization is imperative to prevent fraud, to promote accountability, and to ensure the integrity of its financial data. Internal controls provide a level of comfort and help an organization to successfully achieve its mission. The most important aspect of internal controls is an organization's personnel. If employees are competent and trustworthy, other controls may be absent and the integrity of financial data will be maintained. While all employees have a responsibility for ensuring internal controls are effective, ultimate responsibility for the effectiveness of controls rests with the organization's top executive manager.

Monroe County Ordinances sets forth a structure for the TDC that incorporates critical internal controls. For example, Monroe County Ordinances require:

- The TDC to have members who are involved in the tourism industry or who are elected officials. Similarly, it requires DACs to have members from the lodging and tourism industries along with members from the General Public.
- The BOCC to execute the contract for the TDC's executive office.
- The TDC to review expenditures spent by the TDC, executive office, and the DACs, and the TDC is expected to report any unauthorized expenditures to the BOCC and the State Department of Revenue.
- The TDC to submit an annual fiscal report to the BOCC, the General Public, and the media within 120 days after the end of the fiscal year.
- Limits on how much may be budgeted for administration of the TDC's executive office.

In addition, the TDC maintains an Operations Manual that provides detailed policies and procedures that are designed to ensure the TDC's executive office's operations incorporates a sound internal control structure. For example, the Operations Manual includes requirements for acceptable event marketing expenses and logo usage; purchasing policies; procedures for managing events; and policies governing capital project funding among other requirements.

As part of our audit procedures, we interviewed TDC executive office staff including the Visit Florida Keys' marketing director who is the office's senior executive. Through these interviews, along with other testing performed, we found that Visit Florida Keys management and staff failed to adhere to established internal controls and failed to provide sufficient management oversight due to either a disregard for established policies and procedures and/or a lack of management competence.

Lack of Internal Controls Over TDC Finances

Monroe County has authorized Visit Florida Keys staff to be given access to the County's automated financial system to:

- Submit purchase requisitions to the BOCC's Office of Management and Budget (OMB);
- Submit vendor invoices with sufficient supporting documentation to the Clerk's Finance Department (Finance) for payment processing;
- Submit staff travel reimbursement requests for payment processing; and
- Review TDC-related financial reports to oversee and manage the TDC's fiscal operations.

By authorizing access to the County's financial system, there is an expectation that Visit Florida Keys will establish policies and procedures that will ensure internal controls are followed to maintain the integrity of the County's financial transactions as well as the security of the County's overall information technology infrastructure.

Sharing Passwords and Delegating Approvals. Different levels of access are granted to users of the County's financial system based on their respective position and level of authority. A user's access is secured by a password that the user is expected to keep secure and not share with others. For example, the Visit Florida Keys marketing director's system access allows her to approve purchase orders in accordance with TDC policy. The marketing director also has security that allows her to approve staff travel reimbursements and approve vendor invoices for payment. In the event she is unavailable, the system does allow her to delegate her approval authority to selected staff. The delegation functionality within the system provides an audit trail showing that the staff person approved the transaction on behalf of the marketing director.

In comparison, the system security given to the Visit Florida Keys' finance assistant only allows the finance assistant to initiate purchase requisitions which are then routed to TDC management for approval. Upon TDC management approval, the purchase requisitions are then routed to OMB for review, approval, and issuance of a purchase order. Similarly, the finance assistant also has security to initiate a vendor payment transaction. To ensure proper segregation of duties, the finance assistant does not have the security to approve vendor invoices. Rather, the marketing director's security requires top management to review and approve vendor invoices to be paid.

During our interviews with Visit Florida Keys staff, it was reported that they share their finance system credentials. In fact, the marketing director acknowledged that the finance assistant has the marketing director's password and the finance assistant's password is shared with the business manager. Furthermore, the marketing director admitted she delegates all her transactions approvals to the business manager.

The marketing director did not express concern that by sharing her credentials with the finance assistant, she was giving the finance assistant the ability to both initiate and approve purchase orders as well as the ability to both initiate and approve vendor invoices to be paid with no management oversight. She also was not concerned that she delegates all her approval authority to the business manager. The marketing director appeared to put more importance on the convenience of sharing passwords rather than the potential problems of password sharing: (1) The possibility of compromising the integrity and security of the County's finance system; and (2) The possibility of inappropriate transactions being approved without her knowledge.

Sharing passwords is a material security vulnerability that needs to be addressed immediately. Also, it is important for managers to practice sound professional judgement when delegating their approval authority over financial transactions. *We recommend that the TDC develop strict policies that prohibits the sharing passwords among executive office staff and also develop a policy for when management can delegate their approval authority to staff.*

Insufficient Invoice Review and Supporting Documentation. Visit Florida Keys marketing director is ultimately responsible for ensuring TDC's public funds are expended solely for BOCC- and TDC-approved uses of tourist development tax dollars. Visit Florida Keys is responsible for securing needed resources to accomplish the goals set forth in TDC's annual marketing plan which includes also verifying that invoices submitted for payment to Finance are:

- Allowable under the current fiscal year's marketing plan;
- In compliance with a procurement process as allowed by Monroe County Purchasing Policy and other applicable TDC policies and procedures;
- In compliance with the terms of TDC's contract with a vendor; and
- Supported with documentation that sufficiently explains the business purpose of the expenditure.

Our testing concluded that Visit Florida Keys staff are not sufficiently reviewing and verifying the accuracy of vendor invoices before submitting them to Finance for payment. Visit Florida Keys staff admitted that they typically do not review vendor invoices to confirm compliance with contract terms. As part of our audit, we tested a random sample of vendor invoices reviewed and approved by Visit Florida Keys staff and found that 14% of the sampled items were returned to Visit Florida Keys due to lack of sufficient documentation or explanation of what is being invoiced. This error rate suggests that TDC staff either do not understand the basics of processing invoices for payment or are not acquiring a general understanding of the invoices they are processing.

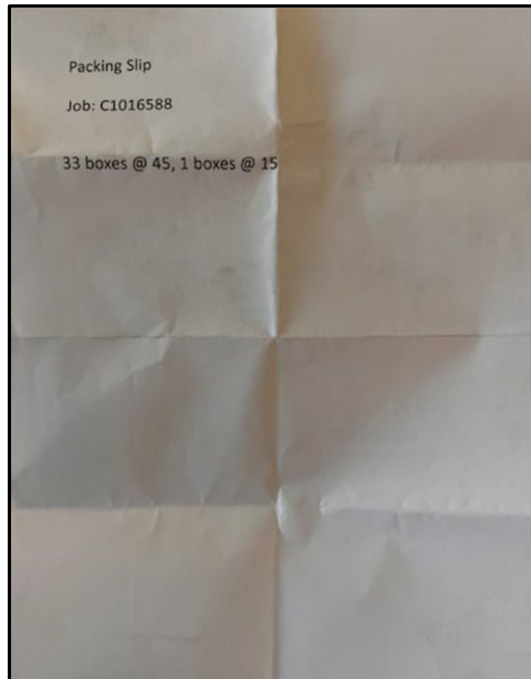
An example of Visit Florida Keys not confirming compliance with contract terms are the monthly payments made to TDC's Public Relations Agency of Record, NewmanPR. The contract requires that NewmanPR be paid an annual agency fee. The contract states that NewmanPR ". . . shall submit to the TDC monthly billings in arrears for one-twelfth (1/12) of the annual agency fee."

However, it is NewmanPR’s practice to submit the invoice in advance rather than in arrears. Visit Florida Keys staff’s practice is to pay the invoice immediately upon receipt rather than returning it to the vendor to be submitted at the appropriate time.

In addition, Visit Florida Keys staff also are expected to critically review documentation from their vendors to ensure that the invoice and supporting documentation clearly show that the goods or services were received, are of the correct quantity and quality, and are in compliance with any contractual terms. We found instances where the supporting documentation appears to have been manufactured by Visit Florida Keys’ vendors or staff. It is not clear why the vendor or staff felt a need to create a fabricated document rather than simply provide an explanation of what may have transpired for these transactions which may have caused them to be seen as unusual.

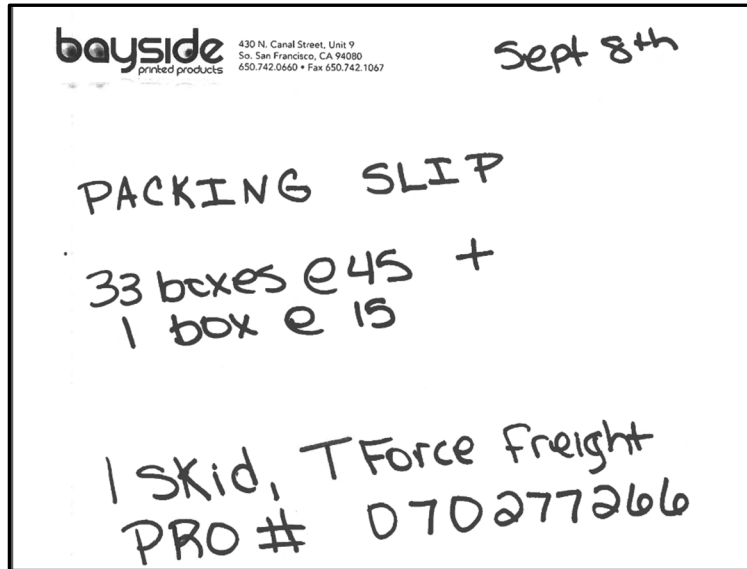
For example, Visit Florida Keys purchased 1,100 2024 Florida Keys and Key West Photo calendars from vendor Robert L. O’Neal. When we asked to be provided a copy of the packing slip as part of our audit procedures, staff provided us the receipt shown in **Picture 1** below.

Picture 1
Packing Slip for 2024 Calendars
Provided To Internal Audit By Visit Florida Keys



Subsequently, Visit Florida Keys submitted the vendor invoice for paying the 2024 calendars to Finance. Finance requires that a packing slip be provided with the vendor invoice along with evidence of the receipt of the goods purchased before payment will be made to the vendor. **Picture 2** shows a copy of the packing slip that Visit Florida Keys provided with the vendor invoice.

Picture 2
**Packing Slip for 2024 Calendars
 Provided to Finance by Visit Florida Keys**



We found that the handwritten packing slip provided to Finance appeared unusual especially since it did not match the packing slip that was previously provided. We contacted the printing company and asked if they typically handwrote their packing slips. They said it would be an extremely rare event for them to provide a handwritten packing slip. We then asked if they could provide us a reprint of the packing slip sent along with the calendars which the printing company readily did. The packing slip reprint is shown in **Picture 3**.

Picture 3
**Reprint of Packing Slip for 2024 Calendars
 Requested From Printer By Internal Audit**

BAYSIDE PRINTED PRODUCTS 430 NORTH CANAL STREET, UNIT 9 SOUTH SAN FRANCISCO CA 94080 Phone: (650) 742-0660		PACKING LIST		
Ship To: (3907/1201) MARKHAM MCGILL MONROE COUNTY TOURIST DEVEL COUNCIL 1201 WHITE STREET KEY WEST FL 33040		SHIPPING DATE: 8/11/23 JOB #: 091305-00 CLIENT ID: 3907 CLIENT PO: CREDIT CARD:		
8/11/23 EVA SANDERS				
DESCRIPTION	QTY ORDERED	UNIT	QTY SHIPPED	CTNS SHIPPED
ITEM ID				
KEYWEST CALENDARS CALENDARS	1.00	LT/1500	1.000	0

Submitting a manufactured document to Finance for payment may be considered a false claim. Monroe County Code Section 2-724, prohibits a person from filing a false claim with the County. Monroe County Code specifically states that any person who knowingly presents a false or fraud claim for payment approval or a false record or statement to get a false claim paid by the County will be liable in an amount equal to three times of the fraudulent claim and will immediately forfeit the entire amount of the claim.

Another recent example of a possible manufactured document submitted to Finance is a request to pay a \$20 gratuity. NewmanPR submitted a request to be reimbursed a \$20 gratuity paid by one of its media relations managers for a dinner with a social media influencer (see **Picture 4**). The documentation indicated this dinner was on September 12, 2023, from 8 PM to 9:08 PM.

Picture 4
NewmanPR Gratuity
Reimbursement Request

TOURIST DEVELOPMENT COUNCIL REIMBURSEMENT REQUEST	
NAME: <u>Sydney Cook</u>	TITLE: <u>Media Relations Manager</u>
SOCIAL SECURITY NO.: _____	ACCOUNT NO.: _____
DEPARTMENT: <u>NewmanPR</u>	_____
STATEMENT OF PURPOSE: <u>Media Dinner for Kristina Makushenko</u>	
DESTINATION OR LOCATION: <u>Islamorada</u>	
START DATE/TIME: <u>9/12/23 8 p.m.</u>	FINISH DATE/TIME: <u>9/12/23 9:08 p.m.</u>
A. PUBLIC TRANSPORTATION: _____	
(ATTACH SUPPORTING DOCUMENTATION)	
CHARGED TO COUNTY:	YES _____ NO _____
B. OTHER TRANSPORTATION - WHAT KIND: _____	
C. USE OF PERSONAL CAR	
FROM: _____	TO: _____
TOTAL MILES: _____	AT _____ PER MILE, TOTAL COSTS: \$ _____
D. HOTEL (ATTACH DETAILED RECEIPT):	\$20.08
E. REGISTRATION OR OTHER FEE (ATTACH DETAILED RECEIPT):	\$ _____
F. MEALS (ATTACH RECEIPTS)	
_____ BREAKFAST	\$ _____
_____ LUNCH	\$ <u>20.08</u> (<i>gratuity only</i>)
_____ DINNER	\$ _____
ACTUAL COSTS ONLY IF MEETING WITH TRAVEL WRITERS, TOUR BROKERS, OR OTHERS CONNECTED WITH THE TOURIST INDUSTRY OR WHILE ATTENDING OR TRAVELING IN CONNECTION WITH TRAVEL OR TRADE SHOWS, OTHERWISE SECTION 112.061, FLORIDA STATUTES LIMITS PERMISSIBLE REIMBURSEMENTS.	

However, the receipt supporting the gratuity was dated two days later, September 14, 2023, at 3:58 PM (see **Picture 5**). The receipt showed that there was a guest of 1 who purchased a sparkling water for \$1.08 and left a \$19 tip.

Picture 5
Receipt for Purchase of Water dated 9/14/2023

Server: Jasmin	
Table 1/1	09/14/2023
Guests: 1	3:58 PM
Reprint #: 1	10002
Sparkling Water	1.00
Subtotal	
Tax	1.00
	0.08
Total	1.08
VISA #XXXXXXXXXXXX1877	
Tip	1.08
Total	19.00
Auth:04245G	20.08
Grand Total	20.08
Balance Due	0.00
Thank you	

An additional receipt was included with the reimbursement request that showed that there was a meal at the restaurant on September 12, 2023, that concluded at 9:08 PM that shows the restaurant comped \$94 of a \$95 meal leaving a total due at the end of the evening of \$1.08 (see **Picture 6**).

Picture 6
Meal Receipt dated 9/12/2023

Server: Jasmin	09/12/2023
Table 82/1	9:08 PM
Guests: 2	40008
Reprint #: 1	
Crispy Cheese	15.00
Soft Coke	4.00
Manana Fried Roti	10.00
Spicy Tuna Sushi Roll	18.00
Coffee (2 @4.00)	8.00
Mojitos	29.00
Grilled Chicken	
Polloccolini	11.00
Subtotal	95.00
Complimentary	-94.00
Net Sub Total	1.00
Tax	0.08
Total	1.08

Visit Florida Keys staff submitted this reimbursement request to Finance with no explanation. To avoid delays in processing payment, Visit Florida Keys staff should have taken a critical look at the receipts and asked NewmanPR to document an explanation of what occurred. Unfortunately, it is commonplace for Visit Florida Keys staff not to provide sufficient documentation in their initial submission of invoices to Finance which delays payments to their vendors. We want to emphasize the main issue is not the amount of the questionable reimbursement request but rather the fact that the contractor appeared to be willing to submit a fraudulent document.

We recommend that Visit Florida Keys:

- *Work with OMB to be trained on the requirements of Monroe County’s Purchasing Policy and the legal consequences staff may face for not adhering to the policy or submitting false documentation to support a vendor’s invoice.*
- *Require the Public Relations Agency of Record to comply with all terms of its contract including submitting its monthly agency fee in arrears.*
- *Develop a process that requires Visit Florida Keys staff to conduct a critical review of vendor invoices and reimbursement requests and demand vendors provide sufficient details and explanations before submission to Finance.*

Applying Purchasing Policies After-The-Fact

The mission of Monroe County’s Purchasing Office is to “. . . provide quality purchasing and contracting support to all county departments in a timely, cost effective and professional manner.”⁴ The policies and procedures are designed to adhere to a strict Code of Ethics to avoid the appearance of and preventing the opportunity for favoritism. Moreover, the County’s procurement policies seek to maximize the purchasing power of public funds while promoting fair and open competition.

The County’s purchasing policy is “. . . intended to promote actual, honest, and effective competition and protect the taxpayers from collusive contracts, favoritism, fraud extravagance, and improvidence.”⁵ The purchasing policies and procedures are governed by Florida statutes and Monroe County Ordinances, codified in Monroe County Code.

While Visit Florida Keys is not a county department but a not-for-profit corporation, the contract between Monroe County and TDC’s executive office as well as the TDC’s Operations Manual

⁴ See *Monroe County Purchasing Policy*, Revised 4/19/2023, p. 4.

⁵ *Ibid.*, p. 4.

requires Visit Florida Keys to adhere to Monroe County’s Purchasing Policy. Moreover, the marketing director’s employment contract with Visit Florida Keys states that it is her responsibility to assume all financial management of the organization “. . . including, but not limited to, submitting budgets for approval by the TDC and Monroe County Board of County Commissioners and planning for expenditures of budgeted monies subject to the County’s purchasing policies and reimbursement requirements.”⁶

An area of concern regarding compliance with the purchasing policy is Visit Florida Keys’ common practice of first purchasing goods and services then going through the business processes and approvals to give the appearance that the County’s purchasing requirements were met.

For example, policies require that to initiate a purchase of a good or service, the Visit Florida Keys staff must submit a purchase requisition with supporting documentation to OMB. In turn, OMB verifies the purchase requisition complies with policy before issuing a purchase order to the vendor. The issuance of a purchase order authorizes the TDC to proceed to purchase the good or service.

Rather than following this established process, we found that Visit Florida Keys staff tends to first purchase goods or services and then, after receiving an invoice from a vendor, submits a purchase requisition to OMB. Submitting purchase requisitions to generate purchase orders after-the-fact is a clear violation of Monroe County’s procurement policies and poses significant risk to the TDC’s operations. **Table 1** lists a few recent examples where Visit Florida Keys staff obtained purchase orders after the services were performed.

Vendor	Date Services Were Provided	Vendor Invoice Date	Date of Purchase Requisition	Date of Purchase Order
Digital Island Media	8/25/22	8/29/22	8/30/22	8/31/22
Conex	Nov 2022	1/24/23	2/2/23	2/2/23
Rockport Analytics	11/22/21	12/22/21	12/22/21	12/28/21

Monroe County’s Purchasing Policy is in place to “. . . promote actual, honest, and effective competition and protect the taxpayers from collusive contracts, favoritism, extravagance, and improvidence. The policies and procedures . . . are governed by Florida Statutes and Monroe County Ordinances, most of which are codified in the Monroe County Code . . .” ⁷ Proper procurement policies, including the purchase order process, are integral to achieving this policy goal.

⁶ *Exhibit A, Marketing Director Job Description*, to Visit Florida Keys Marketing Director Employment Agreement, page 8.

⁷ *Monroe County Purchasing Policy*, Revised 4/19/2023, page 4.

It is our understanding that Visit Florida Keys staff work under the assumption that the BOCC-approved annual TDC marketing plan serves in lieu of a purchase order for vendors. The purpose of this annual plan is to provide the TDC with “. . . a clear direction and understanding of marketing, market segments and market techniques . . . The plan must focus on its present situation, goals, and objectives, resources, program strategies and evaluation criteria.”⁸ TDC acknowledges that its marketing plan “. . . is an evolutionary document, with the flexibility to make adjustments and modifications to strategies throughout the course of the year.”⁹

Whereas TDC’s marketing plan details an agreed-upon strategic approach for accomplishing its goals throughout the fiscal year, the plan is not designed to ensure goods and services needed for supporting the underlying plan are purchased competitively and free from favoritism or improvidence.

Given the frequency of Visit Florida Keys’ staff bypassing Monroe County Purchasing Policy, *we recommend that TDC request OMB to train Visit Florida Keys’ staff so they obtain a basic understanding of the County’s policies and procedures and to stress the consequences for violations.*

Lack of Written Agreements

It is not unusual for a government agency or a not-for-profit organization to rely on an outside consultant to perform specialized tasks. However, it is imperative that internal controls be put in place to provide effective contract oversight that will allow management to have reasonable assurance that these relationships and/or projects are not being lost to improper payments (fraud and errors), waste, and mismanagement. To that end, written agreements and/or contracts, or even a written task order if there is an existing master contract, are a mechanism to specify the entity’s expectations as well as provide a statement of work, list of deliverables, a method to evaluate the appropriateness of fees to be paid, invoicing procedures, supporting documentation, and reporting procedures to be performed by the consultant.

Each of TDC’s three Agencies of Record has a master contract with Monroe County. In the marketing profession, an Agency of Record is the consultant that provides specific professional services and is given final creative control on behalf of the TDC for their area of expertise such as advertising or public relations. The master contracts each include a provision that allows the vendor to perform special projects outside of their scope of services. However, we found that the terms of these special projects are vague and are not formally documented through a task order. A task order would formally document agreed-upon measurable deliverables and not-to-exceed pricing for the project to be performed.

⁸ See Monroe County Tourist Development Council’s *Marketing Plan 2022-2023*, p. A-2.

⁹ *Ibid.*, p. A-2.

To illustrate the current method for managing special projects, Two Oceans Digital is TDC’s Agency of Record for website and digital services. The contract provides a comprehensive listing of the services to be provided by Two Oceans Digital and the contractor’s compensation is:

“. . . the exclusive right to retain all advertising revenues generated from the website. The TDC shall have the right to place sponsorship, partnership, and TDC logo signature(s) on the site . . . In addition to the compensation for bandwidth services outlined in paragraph (b), below, the Contractor may also charge the County for special projects, approved by the TDC or TDC Marketing Director, outside the Scope of Services . . . These special projects shall be paid for through purchase order procedures in amount the total of which shall not to exceed the budgeted fiscal year line item.”

We found that Two Oceans Digital regularly bills for services under the Special Projects provision and the corresponding purchase orders and invoices issued for these special projects do not provide sufficient detail to determine whether the services being performed are outside the scope services listed in the master contract and are appropriately approved by the TDC or TDC Marketing Director.

For example, on August 24, 2023, Visit Florida Keys staff submitted a purchase requisition to OMB requesting a purchase order be issued to Two Oceans Digital for the Key Lime Academy. The only documentation provided to support this special project was: (1) An invoice issued by Two Oceans Digital for services already rendered; and (2) Two pictures of web pages (see **Picture 7**). One web page said “Key Lime Academy. Learn all the sweet spots.” The other web page showed a slice of pie and a Quick Response (QR) code.

Picture 7
Key Lime Academy Web Pages



No other detail was offered to support this purchase request including no documentation that this special project was approved by the TDC or the TDC Marketing Director. The purchase order that was issued by OMB on August 25, 2023, did not detail the scope of the project or measurable deliverables for the project or a methodology for assessing the reasonableness of the fees for the work performed. After the purchase order was issued, Visit Florida Keys staff submitted the invoice dated July 25, 2023, to Finance for payment.

Given the lack of detail submitted, Finance asked for more information on how this work qualified as a special project. In response, Visit Florida Keys staff provided the following explanation.

Picture 8
Key Lime Academy Documentation
Provided By Visit Florida Keys Staff

Key Lime Academy is designed for the travel agents and meeting planner trade to educate them about what the Keys has to offer.

This is overseen by the Sales Department.

In the FY 22-23 Marketing Plan that was approved by the TDC (July 21, 2022) and BOCC (August 17, 2022) it was noted that an update would be made to allow an increase in the total number of people that could use the Key Lime Academy to be certified. The amount approved was up to \$10,000. I have attached to the email I am sending to you a copy of the August 17, 2022 AIS.

The site is put together by Cooke Communications.

There are no other contracts or suppliers.

Below is section from the Marketing Plan that was approved:

Increasing the Total Number of Travel Agents Certified in Key Lime Academy

Working closely with the TDC Sales Department, we will purchase domestic and international travel agent databases, including names, emails, and physical addresses, and use that data to digitally target these travel agents, introducing them to Key Lime Academy and encouraging their participation to become Key Lime Academy Certified.

Through Google Ads, Demand Side Platforms (DSPs), and similar digital targeting platforms, we can upload an email database and target those individuals with display and video ads across the web. Similarly, we can upload physical addresses in DSPs and target every device at that address. Once these individuals engage with an ad, we will add them to retargeting lists and further communicate our message to them at more cost-effective rates.

Pricing: \$10,000

However, we could not find the above excerpt in the BOCC-approved FY 2023 TDC Marketing Plan. The excerpt in the approved plan did not indicate what should be classified as a special project for Two Oceans Digital and did not reference a specific budget.

Picture 9
Key Lime Academy Narrative
FY 2023 TDC Marketing Plan

3. Working with Two Oceans Digital to add a sustainability module to the Key Lime Academy, complementing the online training program's existing modules that educate and inform travel professionals to help them better market the Keys to their clients. The agency will work with Two Oceans to develop a module that focuses on the Keys' unique environment, the importance of protecting it, ways group travelers can responsibly enjoy it and voluntourism opportunities for groups.

It is not clear what document may have included the excerpt on the Key Lime Academy that showed a \$10,000 cost. In addition, a review of the TDC's financial records shows that a total of \$14,000 was expended in FY 2022-23 on setting up the Key Lime Academy: \$7,000 paid to Two Oceans Digital and \$7,000 paid to Digital Island Media.

Our audit found that Visit Florida Keys regularly requests vendors to provide contractual services but, according to the marketing director, they do not enter into written agreements with these vendors. A contract ensures all parties agree to what goods or services are being provided and under what terms. Avoiding contracts with vendors also allows Visit Florida Keys to bypass the County's established procurement process for vendor selection which, in turn, gives the appearance that Visit Florida Keys is not selecting its vendors impartially.

An example where the marketing director advised us that Visit Florida Keys does not enter into written agreements is when they engage a contractor to design and build their trade booths for the myriad of shows Visit Florida Keys staff attend each year. Best practice is to have formal contracts so all parties are protected from any potential disputes regarding deliverables. The contract provides a basic understanding and agreement to how the work will be performed; how billings and payments will be handled; what will be an allowable reimbursable expense; the vendor's obligations under the States' Public Record Law; any specific requirements for subcontractors; indemnification and insurance requirements; and other various contractual provisions.

We found that other tourism entities who attend tradeshow similar to Visit Florida Keys do enter into master contracts with a contractor for designing, transporting, and constructing their show booths. They structure the master contract so a letter of agreement (or task order) is executed before each show that details the scope of work to be completed and the compensation to be paid. Because these contractors typically need a deposit before making a commitment, the letter of agreement details the initial deposit to be made and the final payment due after the show has closed.

A review of Visit Florida Keys expenditure records show that they regularly request the vendor Conex to design, transport, and construct TDC’s booth at various trade shows. The amount to be paid depends on a booth’s size and design. The following table summarizes the payments made by the TDC to this vendor over the past five fiscal years:

**Table 2
Payments to Conex Over Last 5 Years**

Fiscal Year	Payments to Conex
2022-23	\$ 99,728
2021-22	84,114
2020-21	7,000
2019-20	26,360
2018-19	64,664
Total	<u>\$281,866</u>

Complicating the services provided by this vendor, is whether Visit Florida Keys allows for co-op participants to share in the cost of the build or to distribute brochures. If it is decided that co-op participants must share in the cost, it has been Visit Florida Keys’ past practice to send an invoice to the co-op participants for their share of the build or the cost of brochure distribution. The co-op participant is directed to make their check payable to Conex but remit payment to the TDC’s executive office. It is not clear why co-op participants’ payments are sent to Conex and we could not find documentation to confirm that the TDC receives a refund from Conex for payments made by co-op participants. If Visit Florida Keys had a written agreement with Conex then this complicated and unusual arrangement would be properly documented and it would be more transparent that TDC received some benefit for this arrangement. It is not clear how these payments were applied or to whose benefit.

When we asked why the TDC did not have a written agreement formalizing the services provided by Conex and other aspects of this business arrangement, the Visit Florida Keys marketing director responded that, in the past, TDC sales staff would obtain a cost estimate prior to a show but was unaware if staff still requested estimates. Moreover, the marketing director was unaware that entering into a contract with Conex was an option because she thought TDC only had the ability to enter into contracts with Agencies of Record.

We recommend that Visit Florida Keys maintain written contracts with all vendors who provide the TDC contractual services. In addition, we recommend the Visit Florida Keys issue detailed task orders with not-to-exceed compensation arrangement for special projects performed by Agencies of Record. Due to the unique business arrangement between Visit Florida Keys and Conex, Finance cannot process any further payments to Conex until Visit Florida Keys has a signed written agreement with this vendor that clarifies the terms of the business arrangement between the parties.

Mishandling of Receipts

The TDC Operations Manual provides guidance for its executive office on notifying its industry partners (also known as co-op participants) of sales and marketing opportunities at these trade shows and expositions. The availability of space for a sales and marketing opportunity, “. . . will be allocated on a first come/first served basis upon payment, if applicable, and those entities which remit bed taxes to the County pursuant to F.S. 125.0104 will be given priority status.”¹⁰ The TDC’s policies does allow its executive office to modify the written procedure as management deems appropriate.

The annual TDC marketing plan includes a fiscal year activity calendar for its sales staff. The itinerary identifies the different venues that Visit Florida Keys sales staff plan to attend as well as the registration cost and other details of the event including whether the TDC plans to make booth partnership available and at what cost, if any. Each venue provides different opportunities for TDC’s co-op participants as detailed in the marketing plan including whether co-op participants may pay \$200 per property for brochure distribution. We found that Visit Florida Keys management has not established necessary internal controls to properly safeguard the handling of checks remitted by co-op participants for their participation in the TDC’s event offerings. It appears that TDC’s marketing director gives no clear management direction to sales staff on whether they should or should not be collecting fees from industry partners.

TDC sales staff reported to us that, over the past few years, the TDC has been waiving brochure fees but when they do charge fees, a TDC invoice is sent to the booth partner instructing them to make the checks payable to the trade show’s builder or producer but remit the check directly to the TDC salesperson. When we asked why these checks are made payable to a vendor rather than to the TDC (for deposit with the County), the TDC staff replied that there is an unwritten rule within the office that co-op participants cannot make checks payable to the TDC. Despite this unwritten rule, Visit Florida Keys could not direct us to a statute or regulation that prohibits checks being written to the TDC for deposit with Monroe County. This procedure enables the flow of funds to occur outside the County’s knowledge.

It appears that when Visit Florida Keys staff are directed to invoice co-op participants for their involvement at events, Visit Florida Keys staff may be collecting fees but it is not clear what entity may be receiving these monies and how the TDC or Monroe County may be benefiting from the collection of these fees.

We recommend that the TDC review their policies and procedures for invoicing industry partners for their participation in sales and marketing events and ensure that all monies are remitted to Monroe County.

¹⁰ TDC Operations Manual, Section II pp. 10-11.

Conflicts of Interest

In June 2021, Monroe County entered into a new five-year agreement with Visit Florida Keys to provide executive services for Monroe County's TDC. A key provision in the contract is **Section 15, Disclosure and Conflict of Interest** which states:

The Provider [Visit Florida Keys] represents that it, its directors, principles and employees, presently have no interest and shall acquire no interest, either direct or indirect, which would conflict in any manner with the performance of services required by this Agreement, as provided in Sect. 112.311, et seq., Florida Statutes. County agrees that officers and employees of the County recognize and will be required to comply with the standards of conduct for public officers and employees as delineated in Section 112.313, Florida Statutes, regarding, but not limited to, solicitation or acceptance of gifts; doing business with one's agency; unauthorized compensation; misuse of public position, conflicting employment or contractual relationship; and disclosure or use of certain information.

Part III of Florida Statutes Chapter 112 is the Code of Ethics for Public Officers and Employees. As stated in s. 112.311(1), F.S., the legislative intent of the Code of Ethics is to ensure that, “. . . public officials be independent and impartial and that public office not be used for private gain other than the remuneration provided by law.”

As the consultant that provides specific professional services to the TDC, an Agency of Record is given final creative control on behalf of the TDC for their area of expertise such as advertising or public relations. The TDC has three Agencies of Record: (1) Stuart Newman, Associates, Inc. (d/b/a NewmanPR) for public relations; (2) Underwood Martell, Inc., (d/b/a Tinsley Advertising & Marketing, Inc) for advertising; and (3) Cooke Communications Florida, LLC. (d/b/a Two Oceans Digital) for website and digital services. Because the Agencies of Record provide such critical services, the same Disclosure and Conflicts of Interest contractual provision is in their respective contract with Monroe County that is in Visit Florida Keys' contract.

Section 112.313, F.S., provides standards of conduct for the Code of Ethics. The standards of conduct include, but are not limited to:

- **Solicitation or acceptance of gifts:** prohibits the solicitation or acceptance of anything of value, including a gift, loan, reward, promise of future employment, favor or service that is based upon an understanding that the person's official action would be influenced by such a gift.
- **Doing business with one's agency:** prohibits an official from purchasing, renting, or leasing any realty, goods, or services for his/her agency from a business entity in which the officer or employee or his/her spouse or child owns more than a 5% interest.

- **Misuse of public position:** prohibits from corruptly using or attempting to use their official positions or resources to obtain a special privilege or benefit for themselves or others.
- **Conflicting employment or contractual relationship:** prohibits from holding any employment or contract with any business entity or agency regulated by or doing business with the person's public agency. A public officer or employee is also prohibited from holding any employment or having a contractual relationship which will pose a frequently recurring conflict between the official's private interests and public duties or which will impede the full and faithful discharge of the official's public duties.

Exemptions from doing business with one's own agency and having conflicting employment may not apply as detailed in s. 112.313(12), F.S. include, but are not limited to:

- When the business is rotated along all qualified suppliers in the city or county.
- When the business is awarded by sealed, competitive bidding and neither the official nor his/her spouse or child have attempted to persuade agency personnel to enter the contract. Disclosure of the interest of the official, spouse, or child and the nature of the business must be filed prior to the bid submission.
- When the purchase or sale is for legal advertising, utilities service, or for the passage on a common carrier.
- When an emergency purchase must be made to protect the public health, safety, or welfare.
- When the business entity is the only source of supply within the political subdivision and there is full disclosure of the official's interest to the governing body.
- When the aggregate of any such transaction does not exceed \$500 in a calendar year.
- When the prohibitions are waived in the case of advisory board members by the appointing person or by a two-thirds vote of the appointing body.

While Visit Florida Keys is a not-for-profit corporation and not a governmental entity, this organization has its own personnel policies and procedures manual that includes a Code of Ethics section similar to the Florida Code of Ethics. Specifically, Visit Florida Keys personnel policies require:

- Employees may not, either directly or indirectly, use their official position with Visit Florida Keys or information obtained in connection with their employment for private gain, for themselves or others.
- No employee shall make any false statements, certification or recommendation of any employment under any provision of these policies, or in any manner, commit, or attempt to commit any fraud preventing the impartial execution of the provisions of these policies, with regard to employment, promotion or transfer.
- Conflict of interest rules shall be in accordance with the established law of the State of Florida.
- No Visit Florida Keys employee shall transact business in his or her official capacity with any business entity of which the employee is an officer, agent, or member, or in which he or she holds a material interest.
- Employees shall not consume alcoholic beverages, be under the influence of, consume or possess illegal substances while on duty.¹¹

Management's Self-Dealings

During our audit testing, we discovered a procurement arrangement entered into by the Visit Florida Keys marketing director that raises serious ethical concerns and that there may not be adherence to Visit Florida Keys' Code of Ethics.

Since FY 2005, vendor Robert L. O'Neal has provided photography and other goods and services to the TDC either directly to the TDC or indirectly through the TDC's Agency of Record for Public Relations. In total, Robert L. O'Neal has been paid over \$200,000 directly from the TDC for the services he has provided. There is no documentation to support that Mr. O'Neal's services were awarded based on a competitive procurement such as being the best price quote amongst more than one or two other vendors who offered similar services.

In FY 2008, Robert L. O'Neal began annually producing a Florida Keys and Key West photo calendar for the TDC to use as giveaways to travel meeting planners. In total, the TDC has paid Mr. O'Neal over \$184,000 for these calendars throughout the years. Despite Mr. O'Neal being engaged to create the calendars, Visit Florida Keys staff reported to us that each year they were directed by the marketing director to participate in the calendar creation by proofing, selecting photos, and writing the calendar's introduction.

¹¹ Visit Florida Keys Personnel & Procedures Manual, Revised April 2014, Page 8.

Given that the calendar falls within the scope of advertising, staff could not explain why TDC's Agency of Record for Advertising was not exclusively responsible for producing the photo calendars. Our review also discovered that the calendars do not have the required TDC trademarked logo but did have a passing reference to the TDC's website www.fla-keys.com on the calendar's back cover.

The calendar's focus appears to be the promotion of Mr. O'Neal's business website. In fact, while TDC covers the cost and accepts delivery of the printed calendars, a portion of the calendars delivered to the TDC are returned to Mr. O'Neal. He then re-sells them for his personal profit. Visit Florida Keys staff does not require Mr. O'Neal to provide detailed documentation on how much it cost him to produce the calendars and the mark-up he was charging to the TDC.

The printing of the calendars appears to be a violation of TDC's policies. The TDC Operations Manual states, "[a]ll advertising and promotional items shall follow the logo/guidelines found in Section II of the Operations Manual . . ." ¹² which requires the logo be placed on all printed items. Further, TDC's policies specifically prohibits the sale or resale of TDC funded items. Specifically, "[i]tems funded, including creative and resulting work product, by the BOCC/TDC, in accordance with Florida Public Records Law, are owned by the BOCC/TDC and as such may not be sold." ¹³

What further exacerbates this procurement arrangement between Mr. O'Neal and the Visit Florida Keys' marketing director is that these two individuals have a documented long-term personal relationship. When questioned, the marketing director denied that the relationship was romantic and claimed it was more of a landlord-tenant relationship. Notwithstanding the denial, it appears that the Visit Florida Keys marketing director misused her official position to allow Mr. O'Neal to profit from the photo calendar especially since no other vendors were given an opportunity to bid on producing the calendar as required by Monroe County purchasing policy.

The Visit Florida Keys' marketing director must be above reproach. The marketing director is a key leadership position for the TDC and she must lead her staff by example. This procurement arrangement has put into question TDC's integrity and impartiality in managing Monroe County's tourist development tax funds.

The Clerk's Office believes the purchase of the calendars from Mr. O'Neal could be construed to be improper payment and, therefore, has declined to pay Mr. O'Neal's invoice for the 2024 calendars which totals \$14,850. Under s. 129.09, F.S., if the Clerk willfully and knowingly pays a claim against the County which is not authorized by law, the Clerk then is personally liable for the payment that was made and shall be guilty of a second-degree misdemeanor.

¹² TDC Operations Manual, Section II p. 15

¹³ Ibid., Section II, p. 16

Given the severe personal consequences to the Clerk resulting from the marketing director's alleged actions, *we recommend the BOCC take immediate action to work with the TDC to determine the next steps for addressing the potential misuse of office by the Visit Florida Keys marketing director.* Due to the severity of the possible self-dealing and abuse of office, Finance cannot process any further payments to Robert L. O'Neal on behalf of the TDC until there is a resolution to this matter.

Using A Nonexistent Company To Bill For Services

Our audit testing also revealed that the Agency of Record for Public Relations, NewmanPR, may have submitted inappropriate reimbursement requests that may be a violation of law. Our review found that NewmanPR regularly requests to be reimbursed for invoices for a company named Graphics 71. When we discovered that Graphics 71's contact information mirrored NewmanPR's contact information (e.g., same business phone number and same business street address), we traveled to the address listed on Graphics 71's invoice and found that:

- Graphics 71's office suite 203-B did not exist in the building;
- Graphics 71 was not listed as a business in the building's directory; and
- Graphics 71 was not listed as a tenant by the building's landlord.

We next researched the State of Florida's records available on www.sunbiz.org and discovered that Graphics 71 is not an entity registered to do business in the State and the business name was not listed as an alias for a registered Florida business. We also could not find business tax payment records with Miami-Dade County for Graphics 71.

When we asked NewmanPR's President to provide more information about Graphics 71, he stated that this was a company owned and controlled by him and created 35 years ago for services he provided directly to the firm. According to invoices, Graphics 71 provided production, production supervision, distribution supervision, and photography services. However, given that NewmanPR's base administration fee is for all public relations staff services, the listed services on Graphics 71's invoices could be considered within the scope of services that TDC expected NewmanPR. During FY 22, NewmanPR was reimbursed \$14,573 for Graphics 71 invoices and in FY 23 the amount reimbursed was \$14,998.

Section 13 of Monroe County's contract with NewmanPR states:

In providing all services/ goods pursuant to this Agreement, the Contractor shall abide by all statutes, ordinances, rules and regulations pertaining to, or regulating the provisions of, such services, including those now in effect and hereinafter adopted. Any violation of said statutes, ordinances, rules and regulations shall constitute a material breach of this Agreement and shall entitle the County to terminate this Agreement immediately upon delivery of written notice of termination to the Contractor. The Contractor shall possess proper licenses to perform work in accordance with these specifications throughout the term of this Agreement.

The Agency of Record for Public Relations plays a critical role for the success of the TDC. The TDC and the public must have full trust and confidence that the Agency of Record will faithfully adhere to all laws and regulations as it carries out the TDC's public relations goals. Using a nonexistent company as a vehicle to double bill the TDC shows a general disregard for the importance of ensuring that the TDC is spending Monroe County's tourist development tax dollars lawfully and judiciously.

Due to the serious nature of the potential double-billing and the use of an entity that likely does not exist, the Clerk's Office finds it necessary to immediately alert the BOCC of this audit finding. The Clerk also is exercising the Right To Audit clause that is in the NewmanPR contract to review additional invoices to determine the legitimacy, compliance with contract, and adherence to Monroe County Purchasing Policy. Thus, effective immediately, the Clerk has instructed Finance to stop processing expense reimbursements requested by NewmanPR to avoid personal liability for the Clerk. The Clerk will need the BOCC to expeditiously address this matter with the TDC on how best to proceed.

We recommend the BOCC take immediate action to work with the TDC to determine the next steps for addressing the seeming double billing of services by the TDC's Public Relations Agency of Record or clarify these services. Given the severity of the issue, Finance cannot process any further payments for NewmanPR on behalf of the TDC until there is some resolution to this matter.

Material Misstatements in TDC Annual Financial Reports

Monroe County Code Section 23-199(c) requires the TDC to continuously review expenditures and submit, at least quarterly, expenditure reports to the BOCC. Expenditures that the TDC believes to be unauthorized are required to report to the BOCC and the Florida Department of Revenue. The BOCC and the Department shall review the TDC’s findings. The TDC also is required to issue an annual report for the BOCC, General Public, and the media within 120 days after the close of the fiscal year that reports:

- All revenue by category;
- All expenditures by category;
- Reservations and carry-overs by category required by law;
- Reservations and carry-overs by category for specific projects;
- A comparison of the current fiscal year’s report with the prior fiscal year;
- A listing of events or projects funded by district; and
- The ratio of administrative expenses to overall expenditures.

As part of our audit procedures, we compared the annual report prepared and issued by Visit Florida Keys staff to the TDC’s audited financial statements for FY 2022. As shown in **Table 3**, Visit Florida Keys materially misstated the TDC’s fiscal year revenues and expenditures.

Table 3
Comparison of TDC’s Audited Financial Statements to TDC’s Annual Report

	Generic Two Penny Events - All Districts Fund 115			Generic Two Penny Promotional & Administrative Fund 116		
	Audited TDC Financial Statements	Reported in TDC Annual Report	Difference	Audited TDC Financial Statements	Reported in TDC Annual Report	Difference
Total Revenues and Transfers From Other Funds	11,264,433	9,119,896	2,144,537	23,329,188	15,299,172	8,030,016
Total Expenditures and Transfers To Other Funds	5,424,686	4,949,437	475,249	10,347,410	9,060,199	1,287,211
Net Change in Fund Balance	5,839,747	4,170,459	1,669,288	12,981,778	6,238,973	6,742,805
Fund Balance Beginning of Year	11,995,634	Not Reported		19,994,077	Not Reported	
Ending Fund Balance	17,835,381	Not Reported		32,975,855	Not Reported	

Table 3 (Continued)
Comparison of TDC's Audited Financial Statements to TDC's Annual Report

	District Two Penny Activities - Key West Fund 117			District Two Penny Activities - Lower Keys Fund 118		
	Audited TDC Financial Statements	Amounts		Audited TDC Financial Statements	Amounts	
		Reported in TDC Annual Report	Difference		Reported in TDC Annual Report	Difference
Total Revenues and Transfers From Other Funds	16,548,645	15,390,862	1,157,783	2,730,065	2,395,330	334,735
Total Expenditures and Transfers To Other Funds	10,168,992	10,114,918	54,074	1,845,235	1,773,088	72,147
Net Change in Fund Balance	6,379,653	5,275,944	1,103,709	884,830	622,242	262,588
Fund Balance Beginning of Year	18,007,509	Not Reported		3,079,987	Not Reported	
Ending Fund Balance	24,387,162	Not Reported		3,964,817	Not Reported	

	District Two Penny Activities - Marathon Fund 119			District Two Penny Activities - Islamorada Fund 120		
	Audited TDC Financial Statements	Amounts		Audited TDC Financial Statements	Amounts	
		Reported in TDC Annual Report	Difference		Reported in TDC Annual Report	Difference
Total Revenues and Transfers From Other Funds	6,187,685	5,324,853	862,832	3,688,623	3,322,817	365,806
Total Expenditures and Transfers To Other Funds	3,833,146	3,845,859	(12,713)	2,078,140	2,005,510	72,630
Net Change in Fund Balance	2,354,539	1,478,994	875,545	1,610,483	1,317,307	293,176
Fund Balance Beginning of Year	6,879,457	Not Reported		4,341,974	Not Reported	
Ending Fund Balance	9,233,996	Not Reported		5,952,457	Not Reported	

	District Two Penny Activities - Key Largo Fund 121		
	Audited TDC Financial Statements	Amounts	
		Reported in TDC Annual Report	Difference
Total Revenues and Transfers From Other Funds	5,355,158	4,992,662	362,496
Total Expenditures and Transfers To Other Funds	3,125,563	3,157,210	(31,647)
Net Change in Fund Balance	2,229,595	1,835,452	394,143
Fund Balance Beginning of Year	5,849,991	Not Reported	
Ending Fund Balance	8,079,586	Not Reported	

Not only did the TDC Annual Report not accurately report the annual audited revenues and expenditures, the TDC did not provide information on each TDC program's fund balances at fiscal year-end. This is key financial and management information that would assist TDC members when strategically planning and evaluating the TDC's annual budget and marketing plan. TDC's fund balances at the end of FY 2022 exceeded \$100 million.

When Visit Florida Keys' management was asked how the annual report was generated, we were not provided with standardized procedures or resources used to generate the report including no steps that verified the report was reconciled to Monroe County's financial accounting system before its issuance. Finally, our review of the TDC Annual Report found that it was difficult to read and understand for a layperson. The report appeared to comingle budget information with financial information.

To ensure that the TDC generates an annual report that is both accurate and informative, *we recommend that the TDC have its executive office work with OMB to develop procedures for preparing TDC's annual report that will provide key financial information as outlined in Monroe County Code and is presented in a manner that is comprehensible and can be reconciled to TDC's audited financial statements.* The procedures should include steps that Visit Florida Keys management should follow for critically reviewing and evaluating the annual report before it is presented to the TDC for official release.

Due to the importance of TDC's financial reporting being accurate as well as being transparent to the public, consideration may be given to requiring one TDC member having a financial background and/or requiring TDC's executive office to have an annual compliance audit.
