



Audit of
Advertising Services Contract
at the Greater Fort Lauderdale
Convention & Visitors Bureau

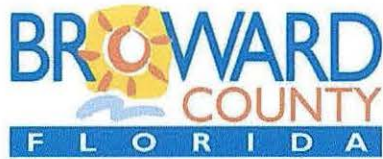
Office of the County Auditor

Audit Report

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County Auditor

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Report No. 19-04
November 29, 2018



OFFICE OF THE COUNTY AUDITOR

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November 29, 2018

Honorable Mayor and Board of County Commissioners:

We conducted an audit of the Starmark International, Inc. (Starmark) contract for Advertising Services at the Greater Fort Lauderdale Convention & Visitors Bureau (CVB).

The objectives of our review were to determine the reasonableness and appropriateness of expenditures and to determine compliance with laws and regulations, county policies, and contract terms.

We conclude that some Starmark expenditures are not reasonable and appropriate. We conclude that Starmark does not consistently comply with contract terms. Opportunities for Improvement are included in the report.

We conducted this audit 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.

We appreciate the cooperation and assistance provided by CVB and Starmark throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Stacy Ritter, Director of CVB

Broward County Board of County Commissioners

Mark D. Bogen • Lamar P. Fisher • Beam Furr • Steve Geller • Dale V.C. Holness • Nan H. Rich • Tim. Ryan • Barbara Sharief • Michael Udine
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EXECUTIVE SUMMARY

We conducted an audit of the Starmark International, Inc. (Starmark) contract for Advertising Services at the Greater Fort Lauderdale Convention & Visitors Bureau (CVB). We conclude that some Starmark expenditures are not reasonable and appropriate. We conclude that Starmark does not consistently comply with contract terms. CVB paid Starmark approximately \$17.9 million from May 2016 to August 2018.

We found \$549,925 in passthrough expenses which were routed to Starmark to pay, and then reimbursed to Starmark through their invoices to the County. These expenses were outside the scope of services provided by the contract. This is a circumvention of the County's payment processes and avoids the normal scrutiny that would be applied to County payments. Of this amount, \$475,000 was for the South Beach Food & Wine Festival Sponsorship, and \$50,000 was spent for the 2015 Margaritaville Grand Opening Weekend Celebration. The Margaritaville Resort is a \$150 million hotel with 349 rooms located in Hollywood, FL. There is no documentation to specify the sponsorship benefits. Other passthrough expenses included other sponsorships, membership dues, and fax communication services. As advised by Starmark, these passthrough expenses were not reviewed for validity as they were requested by CVB and basically passed to Starmark for payment.

We found \$284,188 in questionable invoices were paid through Event Participation and Tradeshow Funds (Funds), which were collected from hoteliers and held and managed by Starmark at the request of CVB. However, there was no supporting documentation detailing how the fees collected from hoteliers were established and how the vendors were selected for the services paid by the Funds. As confirmed by Starmark, they managed the funds as a supporting service to CVB although it was not within Starmark's scope of services. From June 2009 to August 2018, there were a total of \$417,909 in fees collected from hoteliers and \$314,107 paid out of the Funds with a remaining balance of \$103,802. These funds should have been deposited into the County's bank account and paid from the County's bank account. These questionable expenditures are either non-budgeted or passthrough invoices, which are high risk for inappropriate activities such as, services outside the contractual scope, circumvention of the County's procurement process, and mis-use of County funds without detection.

The current contract provides for fixed monthly payments to Starmark, described as retainer services. These monthly fixed payments do not provide the County with the ability to ensure that

amounts paid correlate with services received. The County paid approximately \$2.7 million for retainer services for FY 2015 through FY 2018. The current retainer services provide no accountability to validate the effectiveness of services provided with the fixed payments.

Starmark bills the County for non-retainer services based upon estimated hours rather than actual hours worked. CVB staff was unaware of Starmark's billing practice based on estimated hours until we brought it to their attention during our audit. The County paid approximately \$2 million for non-retainer services based on estimated hours from May 2016 to August 2018.

Time records maintained by Starmark are inadequate to provide support for actual time spent on CVB business. Starmark informed us that they cannot provide time reports of actual hours worked by employee for any given period. Therefore, we were unable to verify Starmark employees' actual hours worked on County projects to determine the accuracy of the \$2 million paid.

Our review noted inadequate contract administration and management oversight over the Starmark contract in the areas of project proposal review and budget approval, passthrough expenses, and invoice review processes. CVB staff did not adequately review Starmark's invoices prior to payment. Our review found a total of \$109,195 was paid without proper supporting documentation for goods and services provided by vendors during our sample review of FY 2015 through FY 2017. CVB did not provide written approval regarding the initiation of projects or the budget needed to complete the marketing projects. Starmark discussed project ideas, scope, timelines, and budgets with CVB during weekly meetings. However, there was no official written approval by CVB staff prior to project commencement. CVB paid Starmark non-retainer services based on estimated not actual hours without supporting documentation.

We noted several questionable expenses related to an independent contractor paid through the Starmark contract. The independent contractor worked under Starmark's current contract from October 2014 through October 2016. We reviewed this independent contractor's business entertainment expenses totaling \$15,655 in FY 2016. The independent contractor did not consistently specify the meeting purpose while entertaining clients and did not include the names of all parties attending dinners and events. Some receipts show several guests in attendance while the independent contractor only lists one name on the reimbursement statement. For example, on June 1, 2016, the independent contractor entertained three guests, based on the number of guests on the receipt, at a Fort Lauderdale restaurant. The receipt showed \$136 for alcohol and \$128 for food. However, only one client was listed on documentation submitted for reimbursement. In FY 2016, the amount of alcohol purchased by this independent contractor totaled \$2,743, which was on average 60% of the meals purchased for business entertainment.

Due to a lack of adequate supporting documentation, we are unable to determine whether business entertainment expenses by the independent contractor are in compliance with statutory requirements and served a public purpose.

During our review, we noted that CVB assigned a new contract administrator to oversee the Starmark contract since November 2017. As advised by the new contract administrator, CVB started to request supporting documentation for estimated hours billed for non-retainer services and provide a written approval for project initiation and budget in early 2018. This constitutes an improvement in contract administration.

Our report contains a total of 17 recommendations for improvement. We appreciate the cooperation and assistance provided by CVB and Starmark throughout our review process.

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of the Starmark International, Inc. (Starmark) contract for Advertising Services at the Greater Fort Lauderdale Convention & Visitors Bureau (CVB). Our objectives were to determine:

1. The reasonableness and appropriateness of expenditures.
2. Compliance with laws and regulations, county policies, and contract terms.
3. Any opportunities for improvement.

To determine the reasonableness and appropriateness of expenditures, we reviewed applicable policies and procedures and interviewed CVB and Starmark staff. We tested transactions and invoices along with supporting documentation. We analyzed CVB revenue and expense reports.

To determine whether Starmark complied with the terms of the contract, we reviewed the Starmark Contract, Broward County Administrative Code, and Florida Statutes. We reviewed invoices with supporting documentation and CVB's budget. We attended some weekly project update meetings. We also consulted with the Office of the County Attorney for contract language interpretation.

We conducted this audit 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.

Our audit included such tests of records and other review procedures as we considered necessary in the circumstances. The review period was October 1, 2014 through September 30, 2017; however, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that some Starmark expenditures are not reasonable and appropriate. We conclude that Starmark does not consistently comply with contract terms. Opportunities for Improvement are included in the report.

Background

On September 23, 2014, the Broward County Board of County Commissioners (Board) approved the contract between Broward County and Starmark International, Inc. (Starmark) for advertising agency services (RFP No. R1215501P1), for an initial three-year term and authorized the Director of Purchasing to renew the contract for two additional one-year periods. The contract budget is estimated to be \$35.5 million for five years. The contract has been renewed for two additional one-year period and will expire on September 30, 2019.

Contract Overview

Starmark provides creative brand development and production, media planning and buying services; and designs strategic marketing campaigns for the CVB; and performs advertising project work for the Aviation Department, Port Everglades Department and Parks and Recreation Division. Our review focuses on the services provided to the CVB, which include the following:

- **Retainer Services** – These services are covered under a monthly fee. Examples of retainer services include: budget control tracking, accounts receivables and accounts payables reporting, account management, implementation of annual marketing communication, monthly plan review and update, branding, advertising, and media strategy development.
- **Non-Retainer Services** – These services are to be estimated on a pre-approved project basis and are paid at a blended hourly rate. Examples of non-retainer services include: project design, production, studio services, photography and video production services, and production supervision.
- **Ad Production** – Tourism related advertisements for the CVB.
- **Media Planning and Buying** – Media planning, negotiations, purchasing, and placement on behalf of the CVB.

Contract Administration

CVB's Marketing Communications Division plays a key role in the administration of the Starmark contract. According to the CVB website, the Marketing Communications Division's responsibilities are to:

- Oversee individual media visits, distribute news releases, and create a range of publications.
- Oversee all interactive marketing, including the Sunny.org website and apps, social media integration, and the creation, production, and placement of the destination's tourism advertising.
- Provide photography and video content for film, television and social media, and handle community outreach emphasizing the importance of Broward's hospitality industry and promoting Broward County in all appropriate opportunities.



The Marketing Communications Division is responsible for negotiation and day-to-day administration of the Starmark Contract. This generally includes collecting and reviewing



Starmark's monthly invoices billed to the County and hosting weekly meetings with Starmark staff. During these meetings, the CVB staff is responsible for determining the progress of all ongoing and future projects. As shown in Exhibit 1, CVB budgeted approximately \$7.5 and \$8 million for Starmark's advertising services for FY 2016 and FY 2017, respectively.

**Exhibit 1
CVB Advertising Budget for FY 2015 - FY 2017**

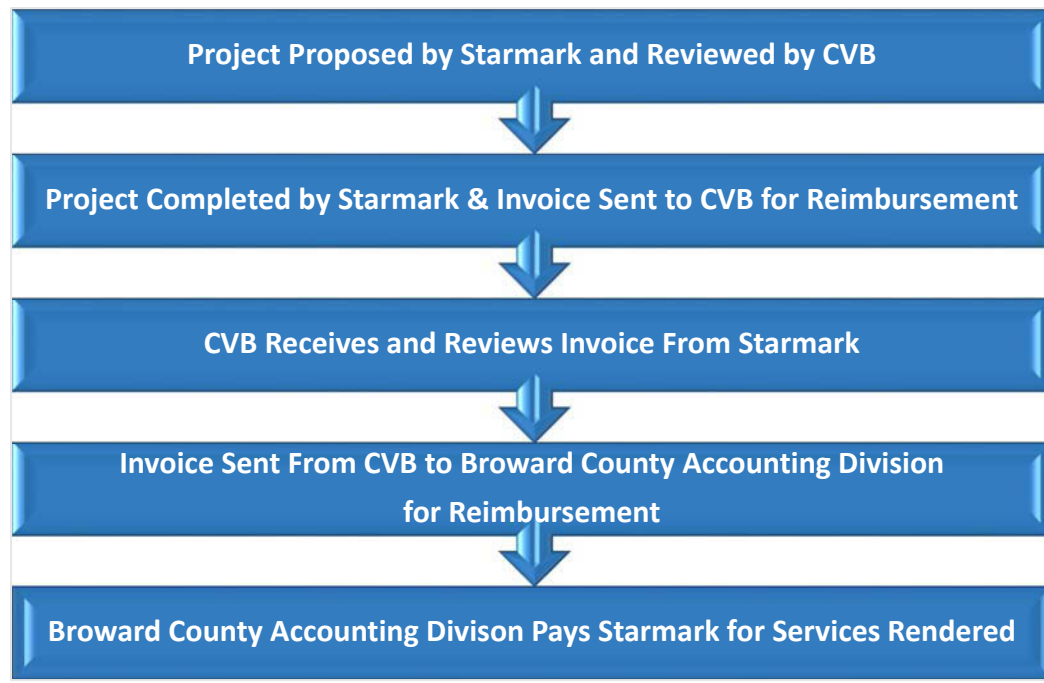
Contract Year	FY 2015	FY 2016	FY 2017
CVB Total Budget	\$ 26,485,220	\$ 27,637,840	\$ 29,969,080
CVB Advertising Budget	\$ 7,100,000	\$ 7,500,000	\$ 8,000,000
% of Total Budget	27%	27%	27%

Source: Prepared by the Office of the County Auditor with information obtained from CVB budget

Invoice Process

As shown in Exhibit 2 below, the CVB is responsible for ensuring that all invoices are accompanied by adequate supporting documentation prior to payment.

**Exhibit 2
Starmark Invoice Process**



Source: Prepared by the Office of the County Auditor with information provided by CVB.

Payment History

According to the PeopleSoft Financial System (PeopleSoft), CVB paid Starmark approximately \$17.9 million from May 2016 to August 2018. Exhibit 3 below shows the amounts paid to Starmark for media planning and buying, reimbursables, non-retainer services, retainer services, and advertising production from May 2016 to August 2018.

**Exhibit 3
Starmark Payments by Service Type from May 2016 to August 2018**

Service Type	FY 2016	FY 2017	FY 2018	Grand Total
	May 2016– Sept. 2016	Oct. 2016 – Sept. 2017	Oct. 2017 – Aug. 2018	
Media Planning and Buying (Including Media Commission)	\$ 2,026,457	\$ 3,467,440	\$ 4,943,007	\$ 10,436,904
Reimbursables	782,336	1,971,470	777,556	3,531,362
Non-Retainer Services	248,411	1,044,224	740,507	2,033,142
Retainer Services	282,350	686,958	643,097	1,612,405
Ad Production	60,260	134,630	118,790	313,680
Grand Total	\$ 3,399,814	\$ 7,304,722	\$ 7,222,957	\$ 17,927,493

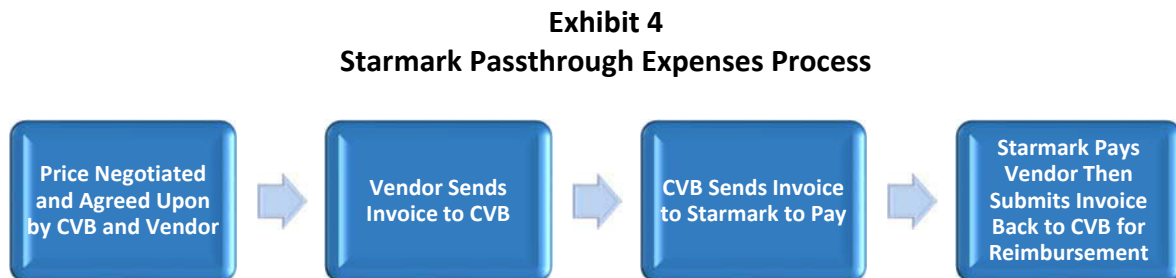
Source: Prepared by the Office of the County Auditor with information obtained from PeopleSoft

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. CVB Should Not Use the Starmark Contract to Pay \$549,925 of CVB Expenses to Circumvent the County's Payment Processes.

During the audit, we found passthrough expenses which were routed to Starmark to pay, and then reimbursed to Starmark through their invoices to the County. This is a circumvention of the County's payment processes and avoids the normal scrutiny that would be applied to County payments. These passthrough expenses are generally categorized as Non-Budgeted Incremental (NBI) or Production/Operational Support (POS) on the Starmark invoices. Exhibit 4 below is an example of the passthrough expenses process.



Source: Prepared by the Office of the County Auditor with information obtained from CVB and Starmark.

As advised by CVB staff, between \$500,000 and \$1 million were set aside annually within the Starmark contract specifically for NBI or POS expenses. This amount was used to pay for expenses that were not anticipated in the budget but arose during the year. We reviewed a total of approximately \$2 million in passthrough expenses for FY 2015 through FY 2017 and found \$549,925 in expenses that were paid outside of Starmark's scope of services as described below.

- A. \$542,600 in passthrough expenses were paid for the following six sponsorships, which should have been paid through CVB's operating budget and complied with the County payment processes.

- i. \$250,000 and \$225,000, respectively, for the 2016 and 2017 South Beach Food & Wine Festival (SOBEWFF) Sponsorship. SOBEWFF is a national and star-studded destination event showcasing the talents of the world's most renowned wine and spirits producers, chefs and culinary personalities. An agreement signed by CVB and SOBEWFF lists the sponsorship benefits, which include print & media recognition, electronic recognition, gifting opportunities (such as, giving away promotional items), festival auctions, and festival licensing rights to use all SOBEWFF marks and logos. As advised by CVB staff, SOBEWFF Sponsorship for 2018 was paid through CVB operating budget, not through the Starmark contract.
- ii. \$50,000 for the 2015 Margaritaville Grand Opening Weekend Celebration. The Margaritaville Resort is a \$150 million hotel with 349 rooms and is located in Hollywood, FL. There is no documentation to specify the sponsorship benefits.
- iii. \$9,000 for the 2015 Strikers Football Club Personnel Sponsorship. The Strikers was an American professional soccer team based in Fort Lauderdale. There is no documentation to specify the sponsorship benefits.
- iv. \$3,600 for the 2015 Leadership Broward Table Sponsorship. Leadership Broward Foundation, Inc. (LBF) is Broward County's premier leadership development training organization with a 34-year history of preparing and connecting leaders from the business and civic communities to strengthen Florida's future. The invoice shows that CVB sponsored the 2015 Leadership Gala by providing 10 tables and purchasing a full-page color advertisement in the program journal.
- v. \$2,500 for the 2017 Broward College Fringe Sponsorship. An agreement signed by CVB and Broward College lists the sponsorship benefits, which include the CVB as a "Performance Sponsor" in specified event materials and the CVB's name on marketing material associated with the 2017 Fringe Fest (i.e. program book, signage, posters and website).
- vi. \$2,500 for the 2016 FAU Sports LLC Sponsorship. There is no documentation to specify the sponsorship benefits.

Four of the six (67%) sponsorships identified above were not supported by written agreements and the two with written agreements did not include standard terms and conditions to protect the County's interests.

As a way to competitively attract tourism and encourage economic development and growth in Broward County, the CVB provides sponsorships to various entities and organizations that use Broward County as a venue for their conventions, conferences, trade shows and other events. Exhibit A, Scope of Services of the contract, requires Starmark to assist in seeking marketing, promotional sponsorship and other partners to effectively leverage advertising dollars. However, sponsorships should be executed by standardized written agreements and paid by the CVB from their operating budget and encumbered in the County's financial system to avoid overspending the approved budget.

Instead of CVB directly paying for sponsorships, they sent the invoices to Starmark for payment and then Starmark submitted the invoices back to CVB for reimbursement. Essentially, CVB used the Starmark contract as a way to circumvent the payment processes. Further, lack of written agreement terms creates legal uncertainty, may increase the County's financial risk, and may leave the County with limited recourse for non-performance or cancellation of sponsored events.

- B. \$5,500** in passthrough expenses were paid for membership and association dues for CVB employees which were outside of Starmark's scope of services. Membership and association dues should be paid through the CVB's operating budget.

- C. \$1,825** in passthrough expenses were paid to Fax.com for fax communication services to support CVB's management database. As advised by Starmark, the service provided by Fax.com started in December 2007 and there were no charges from September 2011 through June 2014. From July 2014, CVB staff requested Starmark to pay the Fax.com again with a monthly charge of \$105. In February 2018, CVB staff questioned the recurring charge for fax communication and subsequently cancelled the service. However, there is no written agreement with Fax.com to document the services and monthly charges. Further, Starmark used their company bank card to pay for Fax.com and there are no actual invoices from Fax.com. Therefore, we question the necessity of the recurring charges and payment processes used for these expenditures.

Appendix A on page 24 shows a detailed schedule of these expenses. As advised by Starmark, these passthrough expenses were not reviewed for validity as they were requested by CVB and basically passed to Starmark for payment. However, CVB did not adequately review the invoices which is evident by lack of supporting documentation as further discussed in Opportunity for Improvement No 5.

Paying expenses outside of the contractual scope of services is clearly a violation of the contract and circumvents the County's payment processes. This increases the risk of inappropriate use of County's funds without detection.

We recommend management immediately discontinue passthrough expenses which are outside of the Starmark's scope of services and provide adequate oversight of the Starmark contract to ensure that services paid are within the contractual scope.

2. Starmark Should Not Perform Services Outside of the Contract; Including Collecting and Managing Hotelier Funds and Spending It on Behalf Of the CVB.

During our review, we found that \$284,188 in questionable invoices were paid through Event Participation and Tradeshow Funds (Funds), which were collected from hoteliers and held and managed by Starmark at the request of CVB. However, there was no supporting documentation detailing how the fees collected from hoteliers were established and how the vendors were selected for the services paid by the Funds. As confirmed by Starmark, they managed the funds as a supporting service to CVB although it was not within Starmark's scope of services.

The Funds were created at the request of CVB in June 2009. The fees were paid by hoteliers to the Funds, when they participated in trade shows or went to sales missions with the CVB. For example, CVB went to a trade show with a partner hotel and used a booth together. The hotel paid a fee to the Funds for shared cost of the booth at the trade show. CVB did not desire to take checks directly from the hoteliers, because the money would be directed to the County's General Fund. Therefore, CVB requested Starmark to hold and manage the Funds on behalf of CVB. Starmark deposited these checks into their business account, created a project account called "CVB A 422 Events" in their job system to track the transactions in the Funds, and monitored the Funds balance. CVB staff made decisions on how to use the Funds and passed the invoices to Starmark for payment using the Funds. These checks should have been deposited into the County's bank account.

From June 2009 to August 2018, there were a total of \$417,909 in fees collected from hoteliers and \$314,107 paid out of the Funds with a remaining balance of \$103,802. Exhibit 5 shows the fees collected from hoteliers, payments made through the Funds and the Funds balance by year from June 2009 to August 2018.

Exhibit 5
Event Participation and Tradeshow Funds Balance
by Year from June 2009 to August 2018

Year	Fees Collected From Hoteliers	Payments Made Through Funds	Cumulative Funds Balance
2009	\$ 40,052		\$ 40,052
2010	49,525	\$ (3,688)	85,889
2011	51,890		137,779
2012	31,100	(25,024)	143,855
2013	31,339	(54,995)	120,199
2014	47,058	(54,000)	113,257
2015	81,001	(105,000)	89,258
2016	59,894	(45,000)	104,152
2017	10,800	(26,400)	88,552
2018	15,250		103,802
Grand Total	\$ 417,909	\$ (314,107)	\$ 103,802

Source: Prepared by the Office of the County Auditor with information obtained from CVB and Starmark.

We noted the following payments made through the Funds totaling \$284,188, which are outside Starmark’s scope of services and lack of supporting documentation to demonstrate how the vendors were selected for the services paid by the Funds. The remaining \$29,919 were used for services within the scope of the contract.

- i. \$198,000 was paid to Strategic Database Research (SDR) from 2013 to 2016 for ongoing telemarketing data cleanse, lead generation outbound calls, sales commissions and event recruitment. Four invoices included payments of \$54,000 annually for 2013 and 2014 and \$45,000 annually for 2015 and 2016. These invoices refer to a Letter Of Agreement (LOA) which could not be provided by CVB or Starmark upon request. Further, there is no supporting documentation to demonstrate how the vendor was competitively selected. Therefore, we question the processes used for these expenditures.

- ii. \$57,500 was paid to Hollywood Hot Glass (HHG) in 2015 and 2017 for promotional items of 350 glass sea turtles at \$100 each and 450 blue glass hanging starfish sculptures at \$50 each. As advised by CVB, these items were given to high level meeting planners to help attract future events to Broward County, and the vendor was selected as it was the only one in Broward County that could provide the items with required quantity. However, there is no documentation to demonstrate how the sole source was determined by CVB and which meeting planners or groups the glass

sea turtles were given to. Therefore, we question the processes used for these expenditures.

- iii. \$25,000 was paid to Marcus Clovis Productions (MCP) in 2015 for sound and video creation, choreography, creative management for Hello Sunny PCMA's general session opening event. As advised, the VP of Convention & Group Sales at CVB selected the vendor for the event, approved the invoice and passed it to Starmark for payment. However, the VP of Convention & Group Sales had a personal relationship with the vendor, which is a clear conflict of interest that should precluded her from directing work to this vendor. Upon request, CVB could not provide supporting documentation to demonstrate how the vendor was competitively selected for the event. Therefore, we question the processes used for these expenditures.
- iv. \$3,688 was paid to Tobie & Friends, Inc. in 2010 for promotional items of 200 leather journals and pen sets at \$18 each. As advised, these items were given to clients for a series of events from CVB's Multi-Culture section as giveaways. However, there is no supporting documentation to demonstrate that the vendor was competitively selected and to which clients or events the journals and pen sets were given. Further, we noted that the owner of Tobie & Friends is an immediate family relative of the former CVB President who retired in 2016. We also found two other payments made to Tobie & Friends by CVB in 2006 totaling \$6,100. Therefore, we question the processes used for these expenditures.

These questionable expenditures are either non-budgeted or passthrough invoices, which are high risk for inappropriate activities such as, services outside the contractual scope, circumvention of the County's procurement process, and mis-use of County funds without detection.

We recommend management immediately:

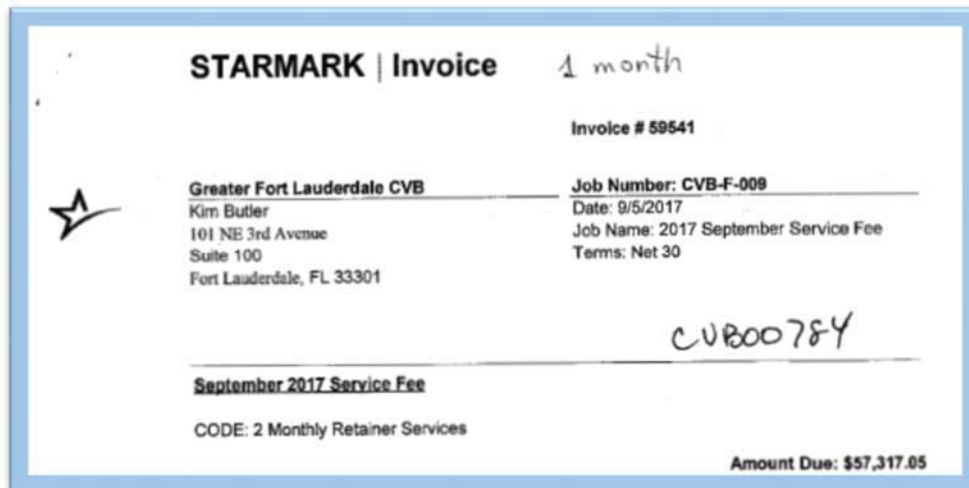
- A. Discontinue using Starmark to provide services outside the scope of its contract; including collecting and managing hotelier funds and spending it on behalf of the CVB.
- B. Work with the Office of Management and Budget to transfer hotelier funds to the County, specifically used for CVB purposes.
- C. Ensure that the County's procurement process is followed including vendor selection and purchases.

3. Starmark's Services Should be Billed Based on Actual Hours Worked and Supported by Documentation.

Starmark bills the County based on estimated hours rather than actual hours worked, and adequate records are not maintained by Starmark to support the amounts billed. During our review, we noted the following concerns:

- A. The current contract provides for fixed monthly payments to Starmark, described as retainer services. These monthly fixed payments do not provide the County with the ability to ensure that amounts paid correlate with services received and provide no accountability to validate the effectiveness of these services. Exhibit 6 shows an example of a typical invoice for monthly retainer services. There was no supporting documentation for monthly retainer services billed.

**Exhibit 6
Example of Retainer Services Invoice**



Source: Prepared by the Office of the County Auditor with information obtained from CVB and Starmark's invoices

As shown in Exhibit 7, the County paid approximately \$2.7 million for retainer services for FY 2015 through FY 2018.

Exhibit 7
Retainer Services Payments by Year
from FY 2015 to FY 2018

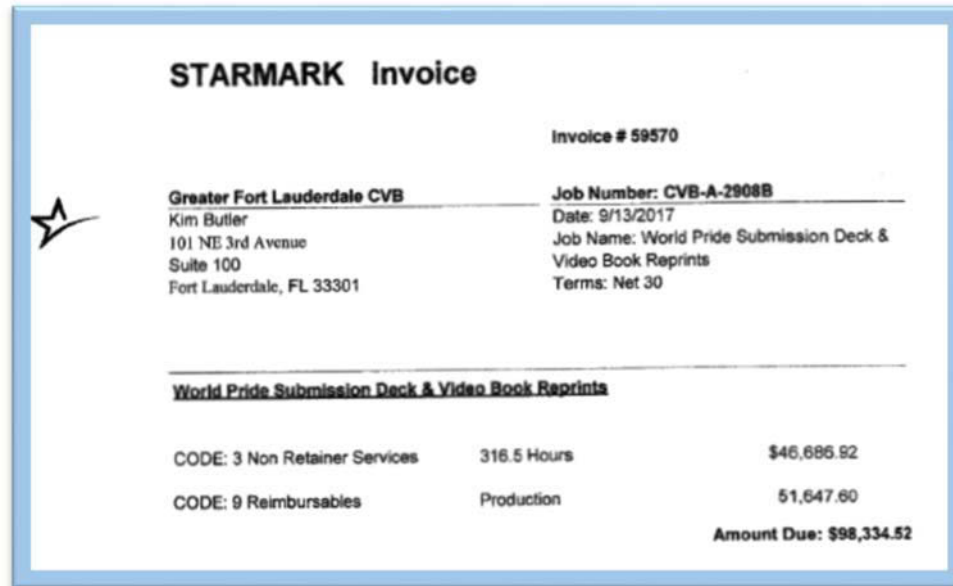
Fiscal Year	Annual Retainer Services
FY 2015	\$ 677,640
FY 2016	\$ 677,640
FY 2017	\$ 687,805
FY 2018	\$ 702,936
Total	\$ 2,746,021

Source: Prepared by the Office of the County Auditor with information obtained from Starmark's contract and CVB

- B.** Starmark bills the County for non-retainer services based upon estimated hours rather than actual hours worked. CVB staff was unaware of Starmark's billing practice based on estimated hours until we brought it to their attention during our audit. Starmark staff claim that they are permitted to bill based on estimated hours due to the contract provision in Exhibit A, Scope of Services, which states "Non-Retainer Services - Deliverable Services To Be Estimated on a Preapproved Project Basis for CVB per the approved Budget/Rolling Forecast Worksheets at Blended Rate..." However, as advised by the Office of the County Attorney, it has been the County's policy and practice to pay based upon actual hours worked, not the estimated number of hours to complete a project. Further, the contract provision referred to by Starmark requires non-retainer services to be estimated on a pre-approved project basis. However, it does not require the billing based on estimates.

Exhibit 8 shows an example of a typical invoice for non-retainer services. There was no supporting documentation for the hours billed for non-retainer services.

**Exhibit 8
Example of Non-Retainer Services Invoice**



Source: Prepared by the Office of the County Auditor with information obtained from CVB and Starmark's invoices

As shown in Exhibit 9, the County paid approximately \$2 million for non-retainer services based on estimated hours from May 2016 to August 2018.

**Exhibit 9
Payments for Non-retainer Services from May 2016 to August 2018**

Service Type	FY 2016	FY 2017	FY 2018	Total
	May 2016 – Sept. 2016	Oct. 2016 – Sept. 2017	Oct. 2017 – Aug. 2018	
Non-Retainer Services	\$248,411	\$1,044,224	\$740,507	\$2,033,142

Source: Prepared by the Office of the County Auditor with information obtained from PeopleSoft

- C. Time records maintained by Starmark are inadequate to provide support for actual time spent on CVB business. Starmark informed us that they cannot provide time reports of actual hours worked by employee for any given period. Starmark's time reporting system tracks actual hours on a project basis against estimated hours in a Job Gross Income Report. However, the number of actual hours presented in the Job Gross Income Reports cannot be traced to the employees' detailed time entries. Therefore, we were unable to

verify Starmark employees' actual hours worked on County projects to determine the accuracy of the \$2 million paid.

The current retainer services provide no accountability to validate the effectiveness of services provided with the fixed payments. Billing based upon estimated hours rather than actual hours for non-retainer services potentially allows the vendor to overestimate the number of hours needed to complete a project. Further, if actual hours worked cannot be verified and are not auditable, overpayments for non-retainer services may remain undetected.

We recommend management:

- A. Ensure amounts paid are reasonable as compared to services received.
- B. Implement appropriate procedures to require Starmark to bill based on actual hours for non-retainer services and verify Starmark invoices against supporting documentation prior to payment.
- C. Require Starmark to track and maintain records of actual hours worked on County projects to adequately support invoices submitted for payment.

4. Starmark Should Reimburse the County \$5,000 for the Cost of Renewing its Letter of Credit to Fulfill Contract Requirements.

CVB reimbursed Starmark \$5,000 in 2015 and 2016 (\$2,500 in each year) for the cost of renewing Starmark's letter of credit. Article 4 of the contract requires Starmark to provide and maintain a letter of credit of \$250,000 to guarantee Starmark's performance of all financial obligations throughout the entire contract term. As advised by the Office of the County Attorney, Starmark is responsible for the payment to maintain a letter of credit. Therefore, the County should not pay Starmark \$5,000 for the cost of renewing letter of credit.

We recommend management require Starmark to reimburse the County \$5,000 and any other costs paid by the County for renewing their letter of credit.

5. CVB Should Implement Adequate Management Oversight and Contract Administration Over Starmark Contract.

Our review noted inadequate contract administration and management oversight over the Starmark contract in the areas of project proposal review and budget approval, passthrough expenses, and invoice review processes. We noted the following concerns:

- A.** CVB did not provide written approval regarding the initiation of projects or the budget needed to complete the marketing projects. Starmark discussed project ideas, scope, timelines, and budgets with CVB during weekly meetings. However, there was no official written approval by CVB staff prior to project commencement. CVB should provide written approval prior to the initiation of marketing projects by Starmark. Formal written approval allows for greater accountability and alleviates any possible confusion regarding the project budgets and timelines. This is particularly significant given the County pays Starmark based on estimated hours for non-retainer services. Without proper review and approval of project budgets, the County may have overpaid if project budgets were overestimated.
- B.** CVB staff did not adequately review Starmark's invoices prior to payment. Our review found a total of \$109,195 were paid without proper supporting documentation for goods and services provided by vendors during our sample review of FY 2015 through FY 2017. Appendix B on page 25 shows a schedule of these invoices with missing supporting documentation. Sound business practices require invoices to be supported by adequate documentation and adequately reviewed prior to approval for payment. When payments are made without adequate supporting documentation, expenditures that do not serve an authorized purpose may occur and remain undetected.
- C.** CVB paid Starmark non-retainer services based on estimated not actual hours without supporting documentation. As described previously in Opportunities for Improvement 3, CVB staff was unaware of Starmark's billing based on estimated not actual hours until we brought it to their attention during our audit. There was no supporting documentation for hours billed for non-retainer services, which indicates that CVB staff did not verify hours billed prior to payment.
- D.** CVB staff directed Starmark to pay for passthrough expenses outside of their contractual scope and did not adequately review these expenses, as described previously in Opportunities for Improvement 1 and 2. This is particularly significant given this type of expenses carry high risk of paying for inappropriate services or services outside the contractual scope.

During our review, we noted that CVB assigned a new contract administrator to oversee the Starmark contract since November 2017. As advised by the new contract administrator, CVB started to request supporting documentation for estimated hours billed for non-retainer services and provide a written approval for project initiation and budget in early 2018. This constitutes an improvement in contract administration.

Contract administration and management oversight are essential to ensure project objectives and contract requirements are being met, and the County receives what has paid for. The lack of contract administration and management oversight restricts CVB's ability to properly manage the contract and ensure compliance with the contract requirements.

We recommend management:

- A. Provide written approval for project initiation and budget prior to project commencement.
- B. Require Starmark to provide adequate documentation to support invoices billed. Management should adequately review invoices and supporting documentation prior to payment.
- C. Require Starmark to maintain and provide relevant and sufficient information to support the hours billed for non-retainer services.
- D. Perform adequate contract administration to ensure invoices are paid only for contracted services.

6. Business Entertainment Expenses Incurred by Starmark's Independent Contractors Should Include Adequate Supporting Documentation to Comply with Statutory Requirements and Justify a Public Purpose.

During our review, we noted several questionable expenses related an independent contractor paid through the Starmark contract. The independent contractor worked under Starmark's current contract from October 2014 through October 2016. We reviewed this independent contractor's business entertainment expenses totaling \$15,655 in FY 2016. We noted several irregularities which include:

- A. The independent contractor did not consistently specify the meeting purpose while entertaining clients and did not include the names of all parties attending dinners and events. Some receipts show several guests in attendance while the independent contractor only lists one name on the reimbursement statement. For example, on June 1, 2016, the independent contractor entertained three guests, based on the number of

guests on the receipt, at a Fort Lauderdale restaurant. The receipt showed \$136 for alcohol and \$128 for food. However, only one client was listed on documentation submitted for reimbursement.

Failure to adequately follow Florida Statute may allow guests that have no connection with the tourism industry to receive food and drinks at taxpayers' expense, resulting in a violation of statutory requirements.

This issue pertaining to business entertainment expenses was also noted in prior audit reports, "Review of Travel Payment Processing" issued on May 24, 2016, and "Transition Review of the Greater Fort Lauderdale Convention & Visitors Bureau" issued on February 16, 2017.

- B.** In FY 2016, the amount of alcohol purchased by this independent contractor totaled \$2,743, which was on average 60% of the meals purchased for business entertainment. Chapter 3 of the County Administrative Policies and Procedures for Payment Requests - Travel requires that entertainment and alcoholic beverages are not reimbursable expenses for the County employees except for authorized events and the CVB employees. However, CVB should evaluate the necessity of alcoholic purchases while entertaining clients.

Section 125.0104 (9) (a), Florida Statutes, requires that business entertainment expenses be authorized only when meeting with travel writers, tour brokers, or other persons connected with the tourist industry. All travel and entertainment related expenditures in excess of \$10 must be substantiated by paid bills. Complete and detailed justification for all travel and entertainment-related expenditures must be shown on the travel expense voucher or attached.

Due to a lack of adequate supporting documentation, we are unable to determine whether business entertainment expenses by the independent contractor are in compliance with statutory requirements and served a public purpose.

We recommend management:

- A.** Require all CVB employees and outside contractors to ensure that business entertainment expenses specify the meeting purpose, all clients' names, titles, and connection to the tourist industry.
- B.** Evaluate the necessity of alcoholic purchases while entertaining clients for all CVB employees and outside contractors.

7. Future Advertising Contract Should Eliminate Retainer Services Without Accountability, Require Billing Based on Actual and Prohibit Passthrough Expenses.

The current contract with Starmark will expire on September 30, 2019. CVB staff worked with the Purchasing Division on a Request for Proposals (RFP) for a new Advertising Agency Services Contract. We reviewed the RFP and noted the following concerns, which should be addressed in the future advertising contract.

- A.** The future advertising contract should eliminate retainer services to provide accountability for services received as they relate to amounts charged. As previously described in Opportunity for Improvement No 3, the inclusion of retainer services as a fixed fee amount provides no accountability to ensure that hours actually worked correlate with the amounts paid. When the fixed fee and hourly methods of reimbursement are combined, as in the current contract, potential overlap increases the risk of manipulation by the contractor.
- B.** The future advertising contract should require billing based on actual and capped by the maximum-not-to-exceed amount as pre-approved on a project basis. Further, expenses should be paid on a reimbursable basis. Certain sub-categories (such as administrative or account management services) can be capped, if necessary, with accountability of hours spent performing the activities.
- C.** Passthrough of expenses should be prohibited for the advertising contract. As previously described in Opportunities for Improvement 1 and 2, this type of transactions increases the risk of paying for services unrelated to the contractual scope of services. Therefore, the future contract should prohibit paying this type of expenses.

We recommend management require the future advertising contract to:

- A.** Eliminate fixed fee services (current retainer services) without accountability for actual expenses and hours worked.
- B.** Specify billing based on actual and capped by the maximum-not-to-exceed amount as pre-approved on a project basis.
- C.** Prohibit paying passthrough expenses.

APPENDICES

APPENDIX A – Schedule of Passthrough Expenses Outside of Contractual Scope

Category	Invoice Date	Invoice \$ Amounts	Vendor Name	General Description
Sponsorship	8/12/2015	\$ 250,000	SOBEWFF	FIU SOBEWFF Gold Level Sponsorship
	7/15/2016	225,000	SOBEWFF	2017 SOBEWFF Sponsorship
	2/11/2016	50,000	Margaritaville	Margaritaville Grand Opening Weekend Celebration
	10/1/2015	9,000	Strikers Football Club	Strikers Personnel Sponsorship
	8/25/2015	3,600	Leadership Broward	Leadership Broward 2015 Table Sponsor
	6/20/2017	2,500	Broward College	Broward College - Fringe Sponsorship
	9/6/2016	2,500	FAU	FAU Sports LLC Sponsorship
Total Sponsorships		\$ 542,600		
Membership or Association Dues	8/16/2015	\$ 5,000	Film Florida	Film Florida Membership Renewal
	2/15/2016	250	Florida Attractions Association	Florida Attractions Association Dues
	4/1/2017	250		Florida Attractions Association Dues
Total Membership or Association Dues		\$ 5,500		
Fax.com	4/17/2015	\$ 105	Fax.com	Fax.com
	9/4/2015	210		Fax.com Jul and Aug 2015
	6/30/2015	105		Fax.com Jun 2015
	5/29/2015	250		Fax.com
	12/31/2014	315		Fax.com Oct and Nov 2014
	12/8/2015	210		Fax.com Sep and Oct 2015
	1/27/2016	210		Fax.com Nov and Dec 2015
	1/31/2017	420		Fax.Com Oct 2016 – Feb 2017
Total Fax.com		\$ 1,825		
Grand Total		\$ 549,925		

Source: Prepared by the Office of the County Auditor with invoice information obtained from CVB

APPENDIX B – Schedule of Invoices with Missing Supporting Documentation

Invoice Date	Invoice \$ Amounts	Vendor Name	Lack of Adequate Supporting Documentation
4/4/2016	\$ 50,000	Margaritaville	Documentation to specify sponsorship benefits
10/14/2015	36,000	Chabad of South Broward	Documentation to specify partnership
10/1/2015	9,000	Strikers Personnel, LLC	Documentation to specify sponsorship benefits
6/10/2015	6,750	Baxter Travel	Supporting documentation to specify services billed
5/11/2015	2,840	Marilia Rebello & Associates	Supporting documentation for deliverables
9/6/2016	2,500	Florida Atlantic Sports Properties LLC	Documentation to specify sponsorship benefits
4/1/2015	900	Mobimanage	Supporting documentation to specify services billed
11/15/2016	500	Picture Perfect	Supporting documentation for deliverables
7/14/2016	399	Twine Social	Vendor invoice and supporting documentation to specify services billed
7/1/2015	306	ABRAT GLS	Tear outs
Grand Total	\$ 109,195		

Source: Prepared by the Office of the County Auditor with invoice information obtained from CVB

APPENDIX C – Management’s Response



BERTHA W. HENRY, County Administrator

115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

DATE: November 29, 2018
TO: Bob Melton, County Auditor
FROM: Bertha Henry, County Administrator 
SUBJECT: Audit Response – Starmark Advertising Services Contract with the Greater Fort Lauderdale Convention & Visitors Bureau

The Greater Fort Lauderdale Convention and Visitors Bureau (CVB) and County Administration have reviewed the Office of the County Auditor's Audit Report on the Advertising Services Contract at the CVB and submits the following as Management's response.

This audit covered the period from October 1, 2014 through September 30, 2017. The vast majority of the issues identified occurred prior to the tenure of the new CVB President, and many had already been addressed prior to the issuance of the audit. The CVB President requested the County Auditor to audit the CVB operations to help identify areas for improvement for the CVB organization and is still working with the County Auditor, County Attorney, Purchasing Division, County Administration and others to improve operations and address issues that have been identified.

In summary, Management concurs with the Audit report conclusion that some Starmark expenditures were not reasonable and appropriate to be paid by Starmark. While the expenditures were legitimate, they should not have been paid through the Starmark contract. Management partially concurs with the Audit report conclusion that Starmark did not consistently comply with contract terms. While we agree with the stated concerns of the audit, the inherent weaknesses in the current contract allows the vendor greater latitude than what would be allowed for in the new contract Management has developed to accompany the next advertising services solicitation and conversely, it currently limits Management's ability to oversee the current contract to the extent it would otherwise like to do so. It is anticipated that this solicitation, along with the new contract, will be presented to the Board for its review and approval after the Board's Winter recess.

Enclosed below, please find detailed responses to each of the Auditor's opportunities for improvement and recommendations.

Bob Melton, County Auditor
Audit Response - Starmark Advertising Services Contract
November 29, 2018

Opportunity for Improvement 1: CVB Should Not Use the Starmark Contract to Pay \$549,925 of CVB Expenses to Circumvent the County's Payment Processes.

Recommendation: *"We recommend management immediately discontinue pass-through expenses which are outside of Starmark's scope of services and provide adequate oversight of the Starmark contract to ensure that services paid are within the contractual scope."*

Response: Management agrees. The \$542,600 in sponsorships could and should have been paid for in a more direct and transparent manner, and all future sponsorships will utilize the County's new sponsorship agreement form, so this issue is addressed.

Likewise, we agree that the \$5,500 of membership and association dues should have been paid directly by the CVB and the CVB is now doing so. The remaining \$1,825 of pass through expenses identified should have been directly paid for and the CVB has taken steps to ensure that all such expenses are appropriately paid for.

Opportunity for Improvement 2: Starmark Should Not Perform Services Outside of the Contract; Including Collecting and Managing Hotelier Funds and Spending it on Behalf Of the CVB.

Recommendation A: *"We recommend management immediately discontinue using Starmark to provide services outside the scope of its contract; including collecting and managing hotelier funds and spending it on behalf of the CVB."*

Response: Management agrees. The hotel revenue transactions detailed are mostly cooperative marketing programs wherein the private partners would pay to be a part of an advertising campaign, and the money collected would go towards the expenses for that campaign. Nonetheless, we agree it would be more transparent to deposit these monies separately (see Recommendation B) and utilize those funds as part of the CVB budget rather than through Starmark.

Recommendation B: *"We recommend management immediately work with the Office of Management and Budget to transfer hotelier funds to the County, specifically used for CVB purposes."*

Response: Management agrees. We have consulted with the Office of Management and Budget and are now depositing these monies into a CVB revenue account.

Recommendation C: *"We recommend management immediately ensure that the County's procurement process is followed including vendor selection and purchases."*

Bob Melton, County Auditor
Audit Response - Starmark Advertising Services Contract
November 29, 2018

Response: *Management agrees.* We are currently working with the Purchasing Division to establish libraries (pre-approved vendor lists) for a variety of CVB product and service needs. For other purchases the CVB will ensure that the County's procurement processes are appropriately utilized.

Opportunity for Improvement 3: Starmark's Services Should be Billed Based on Actual Hours Worked and Supported by Documentation.

Recommendation A: *"We recommend management ensure amounts paid are reasonable as compared to services received."*

Response: *Management agrees.* The documentation requirements of the current contract do not allow for the desired level of oversight of expenditures for retainer services. This has been addressed in the new contract we have developed. Virtually all CVB contract work will be done under the new monthly fee to ensure that amounts paid correlate with services received and documentation requirements will provide for accountability to validate the effectiveness of these services.

Recommendation B: *"We recommend management implement appropriate procedures to require Starmark to bill based on actual hours for non-retainer services and verify Starmark invoices against supporting documentation prior to payment."*

Response: *Management agrees.* We have communicated these requirements to Starmark and have included language in the new contract to ensure this is mandatory for all services provided.

Recommendation C: *"We recommend management require Starmark to track and maintain records of actual hours worked on County projects to adequately support invoices submitted for payment."*

Response: *Management agrees.* We have communicated these requirements to Starmark and have included language in the new contract to ensure this is mandatory for all services provided.

Opportunity for Improvement 4: Starmark Should Reimburse the County \$5,000 for the Cost of Renewing its Letter of Credit to Fulfill Contract Requirements.

Recommendation: *"We recommend management require Starmark to reimburse the County \$5,000 and any other costs paid by the County for renewing their letter of credit."*

Response: *Management agrees.* We have developed a strategy with the assistance of the County Attorney to recoup these monies and are taking the initial steps to implement.

Bob Melton, County Auditor
Audit Response - Starmark Advertising Services Contract
November 29, 2018

Opportunity for Improvement 5: CVB Should Implement Adequate Management Oversight and Contract Administration Over Starmark Contract.

Recommendation A: *"We recommend management provide written approval for project initiation and budget prior to project commencement."*

Response: Management agrees. Starmark has been notified that all future work will require written authorization before the work commences.

Recommendation B: *"We recommend management require Starmark to provide adequate documentation to support invoices billed. Management should adequately review invoices and supporting documentation prior to payment."*

Response: Management partially agrees. Management has been more actively overseeing this contract over the past year and has communicated to Starmark the need to provide adequate documentation to support invoices billed.

Recommendation C: *"We recommend management require Starmark to maintain and provide relevant and sufficient information to support the hours billed for non-retainer services."*

Response: Management agrees. We have communicated this requirement to Starmark.

Recommendation D: *"We recommend management perform adequate contract administration to ensure invoices are paid only for contracted services."*

Response: Management agrees. Management has been doing so over the past year. In addition, a new position within the CVB's marketing division is expected to be filled shortly. The position's primary responsibility will be to focus on the marketing/advertising program and providing proper oversight of this contract.

Opportunity for Improvement 6: Business Entertainment Expenses Incurred by Starmark's Independent Contractors Should Include Adequate Supporting Documentation to Comply with Statutory Requirements and Justify a Public Purpose.

Recommendation A: *"We recommend management require all CVB employees and outside contractors to ensure that business entertainment expenses specify the meeting purpose, all clients' names, titles, and connection to the tourist industry."*

Bob Melton, County Auditor
Audit Response - Starmark Advertising Services Contract
November 29, 2018

Response: *Management agrees.* We have recently conducted a refresher training for our staff to ensure they comply with statutory requirements. We have also communicated this requirement to Starmark.

Recommendation B: *"We recommend management evaluate the necessity of alcoholic purchases while entertaining clients for all CVB employees and outside contractors."*

Response: *Management partially agrees.* As recognized in the County's Procurement Code for the Business Group, the purchase of alcoholic beverages is allowable when conducting business. CVB staff and contractors have been reminded that the purchase of alcohol during business entertainment functions should be within reasonable limits.

Opportunity for Improvement 7: Future Advertising Contract Should Eliminate Retainer Services Without Accountability, Require Billing Based on Actual and Prohibit Passthrough Expenses.

Recommendation A: *"We recommend management require the future advertising contract to eliminate fixed fee services (current retainer services) without accountability for actual expenses and hours worked."*

Response: *Management partially agrees.* We agree that holding a vendor accountable for hours is necessary, but we also recognize that a monthly fee is an industry standard for advertising contracts. A monthly fee provides budgetary stability both for the vendor and for the County. For an advertising firm, this stability is critical because of the specialized workforce needed to complete projects cannot be reduced or expanded quickly. The new contract contains measures that provide accountability for actual expenses and hours worked."

Recommendation B: *"We recommend management require the future advertising contract to specify billing based on actual and capped by the maximum-not-to-exceed amount as pre-approved on a project basis."*

Response: *Management agrees.* Language to this effect has been included in the new contract.

Recommendation C: *"We recommend management require the future advertising contract to prohibit paying passthrough expenses."*

Response: *Management agrees.* Language to this effect has been included in the new contract.

Audit of Advertising Services Contract at the Greater Fort Lauderdale Convention & Visitors Bureau

Bob Melton, County Auditor
Audit Response - Starmark Advertising Services Contract
November 29, 2018

Thank you for the opportunity to respond and provide Management's comments to the Audit. If there are any addition, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance. Should you have any questions, please do not hesitate to contact me.

cc: Board of County Commissioners
Monica Cepero, Deputy County Administrator
Alan Cohen, Assistant County Administrator
Andrew Meyers, County Attorney
George Tablack, Chief Financial Officer
Norman Foster, Director, Office of Management and Budget
Stacy Ritter, President/CEO, GFLCVB
Kevin Kelleher, Deputy Chief Financial Officer
Brenda Billingsley, Director, Purchasing Division