

# OKALOOSA COUNTY CLERK OF CIRCUIT COURT



**DEPARTMENT OF INSPECTOR GENERAL**



**INVESTIGATIVE REPORT:  
TOURIST DEVELOPMENT DEPARTMENT  
CONTRACT FRAUD**

**REPORT NO. INV 24-002  
REPORT ISSUED OCTOBER 28, 2024**

**ISSUED BY: RENEE F. LARKEY, INSPECTOR GENERAL**

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## Executive Summary

On July 31, 2024, the Inspector General (IG) for the Okaloosa County Clerk & Comptroller received a complaint via telephone relaying concerns with the Tourist Development Department (TDD) and one of their vendors. The complainant stated he is a local video production professional that worked on several Okaloosa TDD productions and believed there is/was fraudulent activity. The complainant stated he had also contacted the TDD and had made inquiries regarding all documentation for video productions for the past 5 years. In reviewing the documents, he noticed anomalies in the charges between what was charged to the County and what the complainant had received. He stated the paperwork he received from TDD had no supporting documentation attached with reconciliation of charges.

On August 2, 2024, the Chairman of the Board of County Commissioners, requested this office provide an Independent Administrative Review (AR) of the of the procurement process of the vendor used to make production videos for the TDD. Further direction given by the Clerk of Court & Comptroller was to focus on adherence to policy, the procurement process, and the contractual terms with the vendor.

The conclusion of the AR is posted on the Okaloosa Clerk of Court website and provided the following opinion from the IG's office.

*Our opinion is that the TDD is following the tenants of the contract and the task orders as currently written. Although the TDD is following the contract terms, the contract has been engineered through multiple amendments, changes to the TDD policy as well as the county purchasing manual to benefit the department's goal of utilizing the best resources and not necessarily providing the most cost-efficient alternatives. The lack of transparency in the billing process for the reviewed task order, while meeting the contract and task order requirements, provide the opportunity for unjustified costs to be included in the billing and do not provide an avenue for the TDD to verify the actual costs or cost savings shown in the billing.*

The direction given for the AR did not cover all the concerns raised by the complainant, and therefore, this office continued their inquiry.

## Background

On August 1, 2024, our office opened an investigation based on the allegations made regarding potentially fraudulent activity involving the vendor BooneOakley. The following is in part an email sent to our office regarding the complainant's concerns.

*I am local video production professional that has worked on several Okaloosa TDD productions. On April 17<sup>th</sup>, 2024, I made a FOIA request to Okaloosa County for all documentation for the cost of video productions for the last 5 years.*

*When I received the documents, I found some egregious errors between what the production company had charged the county and what I was paid. On one brand shoot, for my services and gear rentals, my charge to the county was a total of \$3,757.45, including my labor which was done through a payroll company (please see the pay stub and my invoice to the producer that are attached). According to county's reconciliation document, the production company charged the county \$6,000.00.*

*There was no supporting documentation attached to the reconciliation which would seem necessary for a proper reconciliation but should also be required for the TDD's finance department to verify its accuracy. I only knew it was wrong because I worked on the shoot and knew what I charged.*

The complainant did provide a copy of his payroll stub showing he was paid \$2,195.45 for his time and an invoice for \$1,562.00 for equipment and mileage, totaling \$3757.45 for his services.

## Scope & Methodology

The scope of our investigation included interviews with TDD staff, review of documentation, review of Purchasing policy, and review of TDD policy.

The investigation was performed in compliance with the *Quality Standards for Investigations* found within the *Principles and Standards for Offices of Inspector General* as published by the Association of Inspectors General. The standard or degree of proof required to establish a conclusion of fact is at least "by a preponderance of evidence," which indicates evidence that establishes the fact sought to be true is more probable than not.

Investigations by the Department of Inspector General will reach one of the following four conclusions of fact per allegation: substantiated, unsubstantiated, unfounded, or not legally sufficient. **Substantiated** means there is sufficient information to justify a reasonable conclusion that the allegation is true. **Unsubstantiated** means there is insufficient information to either prove or disprove the allegation. **Unfounded** means there is sufficient information to indicate the allegation is false. **Not-Legally Sufficient** means that the allegation does not violate current governing directives.

## Allegations

**Allegation 1:** Fraud. The complaint alleges the vendor billed the County for \$6,000.00 for his services; however, he only received \$3,757.45. He could not find any supporting documentation to justify the difference and believes the County was overbilled.

### Governing directives:

Chapter 112 of the Florida Statutes, sections 112.3187 – 112.31895  
Procurement Policy for Okaloosa County  
Human Resources Policy for Okaloosa County

## Investigative Narrative

This office received a request from the Chairman of the Okaloosa Board of County Commissioners through the Clerk of Court and Comptroller, to commence an Independent Administrative Review of the procurement process for the vendor used to make the production videos. Further request by the Clerk stated the AR should focus on adherence to policy, procurement process, and contractual terms.

Upon reviewing the task order for the production, the vendor estimated the production to cost \$499,390.00 but stated if the production came in under the estimate, the savings would be realized by the County. In this production, the actual invoiced amount was \$491,429.00, providing the County with savings of \$7,961.00.

The vendor contracted a large amount of the production to a third party, Fenton, who then subcontracted with Washington Square Films (WSF). WSF invoiced a total cost of \$278,505.00 as a line-item amount and did not break down this amount as was done in the original estimate by Fenton. TDD staff shared the concerns of the complainant upon viewing the invoice regarding the lack of breakdown in costs.

TDD staff did discuss their concern for lack of cost breakdown with the vendor and requested in the future, that the breakdown be included and not a one line-item amount for the production.

This office asked for clarification from the Purchasing Department Manager regarding the change to the policy manual surrounding the BooneOakley contract, she stated she was not the manager when the change was made so she did not know the circumstances but would attempt to contact the prior Director of Purchasing to see if he could provide any further information. The prior Director is no longer employed with the County. Based on the concerns, the Purchasing Manager did request the supporting documentation for the one line-item amount from WSF.

Upon reviewing the documentation from WSF, this office observed an unaccounted-for difference between the sum of the invoices provided by the vendor and the amount paid to the vendor of \$40,829.83. Another request was made for an explanation of the difference. The response given is as follows:

*The \$40,829.83 highlighted on the spreadsheet is a bid markup of \$34,397 and any underage on the job (40,829.83 - 34,397=\$6,432.83). Since this was a firm bid, that underage was allowable.*

*Explanation of firm bid:*

*Under this system, production companies submit a proposal including a summary of costs. Once details of the approach have been agreed upon and the proposal is accepted, it becomes the contract price for the job, barring any change in specifications. There are no accounting obligations to contracting-client by the production company for actual costs after the production. It is standard industry practice that contracting-client producers have the authority to approve changes in specifications.*

In the original contract with BooneOakley, under Exhibit A – Scope of Services it states the following:

**VII. Third-Party Costs Invoicing.** Invoicing shall be in sufficient detail for pre- and post-audit review (e.g. copies of vendor invoices, proof of performance) to ensure the services were performed and that the correct amount has been invoiced. The County shall reimburse Contractor for actual third-party pass-through costs, with no mark-up, based on reconciliation of invoicing to pre-approved estimate. Examples of acceptable proof of performance include, but are not limited to:

- Itemized vendor invoice in sufficient detail to reconcile actual costs to estimated costs
- Recapitulation of debits/credits affecting previously submitted invoices
- Production – photography, audio, video file
- Research reports
- Travel receipts and Okaloosa County Voucher for Traveling Expenses

Our office asked for clarification between a Subcontractor and a Third-Party Cost Invoice as it relates to the language in the contract. TDD responded stating that in this case BooneOakley contracted directly with Fenton, making them the third-party vendor. The third-party vendor must provide their invoicing to substantiate payment to BooneOakley. Fenton then subcontracted with WSF. A sub is anyone further down the chain that the third-party may engage for the work. TDD does not require invoices from subcontractors to substantiate payment to BooneOakley.

TDD also stated that going forward, they are going to explore options for requiring production companies to invoice based on actual costs rather than the proposal amount.

### **Findings of Fact and Recommendations**

**Allegation 1:** Fraud - The complaint alleges the vendor billed the County for \$6,000.00 for his services; however, he only billed and received \$3,757.45 for his services.

**Finding 1:** Unfounded. The amount the complainant states the County was billed for his services was \$6,000.00; however, this was the estimated amount on the proposal. The actual amount billed for the complainant's services, \$3,757.45 was the amount paid by the County. This was determined by reviewing the actual invoiced amount to the County.

There was an overall cost savings of \$7,961 from the proposed amount to the actual amount billed the county.

### **Recommendations:**

In order to help eliminate the lack of transparency in the billing process, TDD and the Purchasing Department should evaluate the language in the 2025 Request for Proposal (RFP) when the current contract expires. The current contract and task order do not define at what depth in the subcontracting process that itemized vendor invoices are required in order to reconcile actual costs to estimated costs. This does not allow the TDD to determine the full extent of any savings or project underruns that would accrue to the

County, and in turn could invite inflated invoicing. There is no definitive evidence that fraud occurred in this situation; however, with more succinct wording it could help minimize the potential for fraud.

*Renee F. Larkay*

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## **Exhibits**

1. County Contract with BooneOakley.C19-2752-TDD
2. Amendment #1 to Contract
3. Amendment #2 to Contract
4. Amendment #3 to Contract
5. Update to Amendment #3
6. Second update to Amendment #3
7. Amendment #4 to Contract