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Date: November 6, 2019

Memorandum For: Deanna J. Santana, City Manager, City of Santa Clara

From: Denise Callahan, President, TAP International, Inc.

Subject: Transmittal of Contract Close-Out Review of Convention Visitors Bureau

Attached is our report, Contract Close-Out Review of Convention Visitors Bureau: Reimbursements are Needed from Various Funding Sources.

Our review found that reimbursements are needed from either the City Chamber of Commerce (Contractor), the Convention Visitors Bureau reserves, or the Tourism Improvement District reserves based on the nature of the expenditures and the balances at the end of the Contractor's agreement with the City.

The report contains nine recommendations for the City applicable to the final close-out of the City's Agreement with the Contractor. The City generally agreed with these recommendations. The City's full response to the audit recommendations is enclosed in the attached report. The findings have been discussed with the Contractor and a copy of the draft report has been provided.

If you have questions about the audit report, please contact me at (916) 333-3401 or denise@tapinternational.org.

TAP International, Inc.



TAPInternational

**CONTRACT CLOSE-OUT REVIEW OF
CONVENTION AND VISITORS BUREAU:
REIMBURSEMENTS ARE NEEDED FROM
VARIOUS FUNDING SOURCES**

**FINAL REPORT
NOVEMBER 2019**



November 6, 2019

Deanna Santana, City Manager, City of Santa Clara, CA
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Ms. Santana:

This report presents the results of the contract close-out activities that TAP International completed related to the 2017 Agreement between the City of Santa Clara (City) and the Santa Clara Chamber of Commerce (Contractor) to operate and administer the Convention and Visitors Bureau (CVB).¹

Table 1 below summarizes the outcomes of the contract close-out activities.

Table 1: Close-Out Amounts by Reimbursement Source

Close-Out Activity	Reimbursement Source		
	Contractor	CVB Cumulative Reserves	Tourism Improvement District (TID) Reserves
1. Annual Spending of CVB Funds (Revenue vs. Expense Analysis, Through FY 2016-17)	\$448,068		
2. Allocation of General Overhead Expenses to CVB and Vendor (Cost Allocation)	\$60,819 ^a	\$10,552 ^b	
3. Allocation of Revenue from Ticket Sales (Revenue Allocation)	\$704		
4. Review of Credit Card Purchases (Credit Card Transaction Analysis)	\$52,940 ^c		
5. Review of Four CVB Invoices	\$0		
6. Annual Spending of CVB Funds (2017-18 Fiscal Year-End Analysis)		\$57,885	
7. Verification of Expenses Incurred for July-August 2018 and \$80,000 Supplemental City 6/29/18 Payment		\$78,079	
8. Review of TID Invoices Submitted for Reimbursement			\$4,993
Total	\$562,531	\$146,516	\$4,993

^a Based on the proportion of full-time equivalents (FTEs) assigned to the CVB.

^b Based on the Vendor's cost allocation practice.

^c Includes reduction of \$1,265 for unused gift cards returned to the City. Details provided on pages 8 and 9 of the report and Appendix D. The amount also does not include the credit card transactions reviewed as part of item 8 below, Review of TID Invoices Submitted for Reimbursement.

¹ *Agreement for the Operation of a Convention and Visitors Bureau*, dated July 3, 2017. Referred to as "2017 Agreement" in this report.

Recommendations

1. The City should consider whether it wants to pursue \$448,068 in cumulative CVB reserves retained by the Contractor through Fiscal Year (FY) 2016-17.
2. The City should determine whether it wants to allow the Contractor to use the CVB reserves for operating expenses incurred in FY 2017-18 and 2018-19 that exceeded the contract's "not to exceed" amounts of \$57,885 and \$78,079, respectively.
3. The City should seek reimbursement from the Contractor for shared operating costs of \$50,267 (\$60,819 less \$10,552).
4. The City should seek reimbursement of \$704 for its portion of the revenue generated from the sale of tickets for area attractions.
5. The City should seek reimbursement of \$52,940 in net credit card expenses that were identified as "not allowable," "questionable," or "not verifiable." (This amount includes a reduction of the value of the purchased gift cards returned to the City by the Contractor of \$1,265.)
6. The City should seek a refund from merchants for the purchased gift cards in its possession that were returned from the Contractor.
7. The City should release \$4,993 from the held TID funds to reimburse expenses on the outstanding TID invoices submitted by the Contractor.
8. Because the Contractor could not provide documentation to support its claim that TID-funded Contractor employees were actively engaged in TID activities between July and August 2018, the City should withhold reimbursement to the Contractor for \$61,092 in TID expenditures for employee salary, benefits, taxes, bonuses, vacation payouts, and payroll processing fees incurred during this period. The City should also not reimburse \$2,372 in other credit card and employee expense reimbursement requests.
9. The City should conduct further review for any potential violation of laws for the use of public funds to support Contractor member recruiting and Contractor use of gift cards.

TAP International would like to thank the Contractor and City staff for their assistance in this review. If you have questions concerning this report, please do not hesitate to contact Denise Callahan, TAP International.

Sincerely,

TAP International, Inc.

Section A: Background

Introduction

Since 1975, the Contractor has administered an agreement for the operations of the local Convention Visitors Bureau (CVB) for Convention and Visitor Services. The Contractor, in its administration of the CVB, was to, among other things:

- market, promote, and book the Convention Center to potential local, state and national users;
- provide services to conventions and groups with events at the Convention Center and Tourism Improvement District (TID) hotels;
- market and promote tourism and commerce within the City; and
- provide services to large scale events held at Levi's® Stadium.

In June 2018, the City did not renew its Agreement for the Operation of a Convention and Visitors Bureau (2017 Agreement) with the Contractor to operate the CVB.

It is customary for public agencies to conduct close-out reviews at the end of multi-million-dollar public contracts. This process involves several tasks, such as comparing funds received against expenditures, verifying that expenses reimbursed were allowed under the contract, reconciling contract payments made by the City to the Contractor against actual expenses, and reconciling excess revenue. Contract close-out audits provide one of the last opportunities to ensure that public agencies have received what they contracted and to detect and recover erroneous payments.

Objectives, Scope and Methodology

The objective of our review was to determine whether the City funds were properly spent and accounted for by the Contractor in accordance with requirements specified in the 2017 Agreement. To complete our work, TAP International:

- Completed a revenue versus expenditure analysis for the time period FY 2015-16 to FY 2017-18.
- Verified the Contractor's allocation of shared revenue and expenses to the CVB and compared the results to standard allocation methods for the time period FY 2013-14 to FY 2017-18.
- Examined \$311,858 in credit card purchases for the time period FY 2015-16 to FY 2017-18 for compliance to the City's 2017 Agreement with the Contractor. These purchases included CVB and TID employee-related purchases on the Contractor's credit card account. Purchases made on an employee's personal credit card account and submitted for reimbursement were excluded from the scope of this review.
- Examined four monthly invoices submitted by the Contractor to the City in FY 2017-18.
- Reviewed documentation intended to support \$80,000 in supplemental expenditures by the Contractor.
- Examined additional invoices submitted to the City by the Contractor for payment of the TID expenses for June to July 2018.

Our review was performed in accordance with the International Internal Auditing Standards. TAP International discussed the findings in detail with the Contractor and the City. Comments by each entity, where applicable, were incorporated into the report. The City generally agreed with the recommendations. See Appendix F to view the City’s response to the audit recommendations.

Section B: Key Findings

Finding 1: Contractor Likely Owes the City \$448,068 in Unspent Public Funds Through FY 2016-17

The 2017 Agreement between the City and the Contractor, which continues an Agreement that was executed in 1975, is a “not to exceed” government contract. Under this type of government contract, the contractor cannot keep any unspent funds provided by the public agency. However, should expenditures by the Contractor exceed the contract amount, the contracting public agency has the discretion to reimburse the vendor for the additional expenses.

Between FY 2013-14 and FY 2016-17, the Contractor did not spend all the funds provided by the City. The City remitted about \$6.1M in funds to the Contractor to support CVB operations and the Contractor spent \$5.8M, leaving a cumulative total of \$448,068 in unspent funds, as shown in Table 2.² These unspent funds are referred to in this report as “CVB cumulative reserves”. The Contractor’s current president explained that these cumulative reserves were carried over to subsequent years for spending by the CVB. However, our review included the analysis of the CVB’s audited financial statements, which confirmed that not all reserve funds were spent.

In response to our finding, the Contractor’s current president submitted additional documentation for the purpose of reducing the amount of cumulative reserves. These expense items were for “Management Fee for CC”,³ expenses for FY 2018-19, and TID accounts receivable. However, documentation for the “Management Fee for CC” of \$133,144 was not provided, and thus a reduction was not applied against the cumulative reserve owed by the Contractor. Documentation submitted by the Contractor for other expenditures incurred in FY 2018-19 totaling \$178,328, and for TID accounts receivable amounting to \$68,645, are addressed later in this report.

Table 2: Results of Revenue Versus Expenditure Analysis

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
TOTAL REVENUES	\$1,566,591	\$1,564,199	\$1,584,455	\$1,510,906	Addressed later in this report
TOTAL EXPENDITURES	\$1,598,128	\$1,605,055	\$1,218,106	\$1,360,207	Addressed later in this report
BALANCE REMAINING	(\$31,537)	(\$40,856)	\$366,349	\$150,699	Addressed later in this report
NET ASSETS (RESERVES), Beginning of Year	\$3,413	(\$28,124)	(\$68,980)	\$297,369	

² Our audit period was from FY 2015-16 through FY 2016-17. However, we noted that the Contractor had exceeded its contract amount for FY 2013-14 and FY 2014-15 and therefor opted to include this time period in our analysis in the interest of fairness.

³ Convention Center.

TOTAL NET ASSETS (CVB RESERVES - CUMULATIVE)	(\$28,124)	(\$68,980)	\$297,369	\$448,068
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Finding 2: Amounts Charged Differ for Shared General Overhead Expenses

A September 2018 performance audit report of the Convention Center and CVB stated that “when administrative services are shared among entities or different business functions, the expenses incurred from performing these services are allocated and charged to each entity or business function. The allocation of these administrative expenses is usually based on a cost accounting study or a business policy that shows a reasonable basis for the allocations. While the Contractor did not have a formal allocation study or policy, Contractor staff reported it is long-standing practice to allocate 80 percent of overhead (administrative) expenses to the CVB and 20 percent to the Contractor.”⁴ The 2018 audit report found that the Contractor did not consistently apply this allocation criterion – the actual allocation of expenses ranged from 70 and 85 percent of the expenses for office supplies and maintenance and between 79 and 86 percent of telephone expenses.

This audit report further examined the Contractor’s method of allocating expenses to the CVB. The Contractor both overcharged and undercharged expenses to the CVB across the time period shown in Table 3. Overall, the Contractor’s cost allocation method led to undercharging the CVB by \$10,552.

Table 3: Results of the Expense Allocation Based on the Contractor’s Practices⁵

Fiscal Year	Contractor Allocation of Expenses to the CVB	Expenses that Should Have Been Allocated to the CVB	Expense Amount Overcharged to the CVB	Expense Amount Overcharged to the Contractor
2013-14	\$92,316	\$95,219		\$2,903
2014-15	\$118,976	\$116,895	\$2,081	
2015-16	\$127,905	\$121,137	\$6,768	
2016-17	\$110,656	\$115,550		\$4,894
2017-18	\$89,456	\$101,060		\$11,604
Total	\$539,309	\$549,861	\$8,849	\$19,401
Net Expense Amount Overcharged to the Contractor				\$10,552

When we applied a standard methodology for allocating expenses based on the proportion of Full-Time Equivalents (FTEs) assigned to different entities (i.e. Contractor and the CVB), the CVB was charged more than its share of expenses, as shown in Table 4. This method suggests the Contractor had charged the CVB \$60,819 more than it should have. We recommend on page 2 of this report that the City should seek reimbursement of \$50,267. (\$60,819 less \$10,552).

⁴ Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations can Strengthen Accountability, Performance and Revenue, TAP International, Inc. September 2018.

⁵ The overhead related expenses examined were accounting and audit services, office supplies/maintenance, office equipment, computer services/maintenance, telephone, and postage.

Table 4: Results of the Expense Analysis Based on Standard Cost Allocation using Full Time Equivalent Employees

Fiscal Year	Contractor Allocation of Expenses to the CVB	Overhead that Should Have Been Charged to the CVB Applying Standard Allocation Methods	Expense Amount Overcharged to the CVB	Expense Amount Overcharged to the Contractor
2013-14	\$92,316	\$83,655	\$8,661	
2014-15	\$118,976	\$101,864	\$17,112	
2015-16	\$127,905	\$101,092	\$26,813	
2016-17	\$110,656	\$100,958	\$9,698	
2017-18	\$89,456	\$90,921		\$1,465
Total	\$539,309	\$478,490	\$62,248	\$1,465
Net Expense Amount Overcharged to the CVB			\$60,819	

Finding 3: Contractor Owes \$704 to the CVB in Additional Revenue from the Sale of Tickets to Area Attractions

A 2018 audit report⁶ to the City found that that the Contractor did not allocate all revenue due to the CVB for ticket sales over two fiscal years. When the CVB collected revenue from the sale of tickets to area attractions, the Contractor allocated 70 percent of the ticket sales revenue to the CVB prior to FY 2015-16 and 30 percent to the Contractor. In FY 2015-16 and FY 2016-17, the CVB began selling tickets online exclusively. As a result, the Contractor should have allocated to the CVB 100 percent of the revenue generated from ticket sales, thus owing additional revenue to the CVB of about \$1,000.

This audit examined the allocation of revenue over five fiscal years, FY 2013-14 to FY 2017-18. The CVB should have received an additional net amount of \$704 from the Contractor, as shown in Table 5.⁷ We recommend on page 2 of this report that the City should seek reimbursement from the Contractor for this amount.

Table 5: Revenue Allocation Between CVB and the Contractor

Fiscal Year	Total Revenue Received from Ticket Sales	Amount the Contractor Allocated to the CVB	Amount That Should Have Been Allocated to the CVB	Amount Under Allocated to the CVB	Amount Under Allocated to the Contractor
2013-14	\$10,268	\$7,149	\$7,188	\$39	
2014-15	\$7,743	\$5,812	\$5,420		\$392
2015-16	\$2,737	\$2,114	\$2,737	\$623	
2016-17	\$1,889	\$1,455	\$1,889	\$434	

⁶ Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations can Strengthen Accountability, Performance and Revenue, TAP International, Inc., September 2018.

⁷ The 2019 TAP International 2018 Performance Audit report said the CVB should have received \$4,626 in collected fees but received only \$3,569 for FYs 2015-16 to 2016-17. Table 5 of this report reflects a different time period, FY 2013-14 to 2017-18.

Fiscal Year	Total Revenue Received from Ticket Sales	Amount the Contractor Allocated to the CVB	Amount That Should Have Been Allocated to the CVB	Amount Under Allocated to the CVB	Amount Under Allocated to the Contractor
2017-18 ⁸	0	0	0	0	
Total	\$22,637	\$16,530	\$17,234	\$1,096	\$392
Net Amount Under Allocated to the CVB				\$704	

Finding 4: Contractor Overcharged the City \$52,940 for Credit Card Purchases

The Contractor allowed its employees to use the Contractor's credit card account to purchase goods and services for travel and operations. The City's expectation, as established in the 2017 Agreement, was for the Contractor to provide documentation that allows for the determination of whether expenses are necessary and reasonable.

Analysis of \$311,858 in credit card charges showed that about 17 percent or \$54,205 were either "not allowable," "questionable," or "not verifiable." See Table 6 below. The Contractor was provided the opportunity to review all the transactions that had some type of exception. No additional documentation had been submitted to support their allowability. We recommend on page 2 of this report that the City seek reimbursement of \$52,940 from the Contractor (\$54,205 less \$1,265 for unused gift cards returned to the City).

Table 6: Credit Card Transaction Review Results⁹

	Total Credit Card Expenses Reviewed ^a	Not Allowable Expenses	Questionable Expenses	Not Verifiable Expenses	Exception Rate
FY 2015-16	\$43,655	\$3,180	\$2,268	\$167	
FY 2016-17	\$91,554	\$4,983	\$9,524	\$451	
FY 2017-18	\$176,649	\$17,100	\$16,224	\$308	
Sub Total	\$311,858	\$25,263^b	\$28,016	\$926	\$54,205 (17%)
Returned Gift Cards					(\$1,265)
Total					\$52,940

^a Purchases that were clearly marked as overhead and split between the Contractor and CVB were excluded from this analysis to avoid double-counting in the results reported under Finding 2.

^b Includes \$6,072 in gift card expenses.

Not Allowable Expenses - \$25,263

The City's 2017 Agreement with the Contractor says that the City's funds provided to support CVB operations should be usefully and properly expended by the Contractor in accordance with the stated purposes. These purposes include:

- Information services to carry out its duties.

⁸ For FY 2017-18, there were no recorded revenue receipts from the sale of tickets to area attractions under the CVB account.

⁹ Excludes credit card transactions reviewed and reported on pages 12 and 13 of this report to avoid double-counting.

- Target sales and promotion efforts across various market sectors, e.g. corporate business, association and SMERF (social, military, educational, religious, fraternal), and sports groups.
- Attract city-wide groups.
- Research and prospect new client opportunities.
- Perform sales calls and City bid presentations to prospective businesses and organizations.
- Conduct site inspections showcasing the City of Santa Clara hotels, convention center, stadium, entertainment and attraction venues, and local businesses.
- Sponsor exhibits in key tradeshows, attend industry-related meetings, and sponsor special industry-related events.
- Implement direct mail, e-marketing/social media, and e-blasts.
- Advertise in key trade publications, newsletters, directories, and social media platforms.
- Develop convention sales and marketing materials.
- Advertise and promote the City of Santa Clara and Santa Clara Convention Center.
- Sponsor memberships in various hospitality associations.
- Attend association chapter meetings, trade shows, luncheons, and sponsorships.
- Hold monthly group sales/client luncheons/breaks/breakfasts.

Credit card purchases that did not meet the above stated purposes of the Agreement, or the supporting documentation provided did not support the expense, were identified as “not allowable.”

Examples of credit card purchases by the CVB and Contractor employees that were identified as “not allowable” are as follows:

- Repeated repair of personal cell phone glass covers.
- Purchase of an Apple Watch[®].
- Cell phone supplies, such as repeated purchases of cell phone chargers.
- Tools.
- Seat upgrades on flights.
- Dinner meetings (Contract specifies breakfasts and lunch only).
- Administrative lunch and dinner meetings with other CVB staff and TID participating hotels.
- Lunch meeting paid for by public funds to recruit Contractor members (isolated incident). This transaction needs further review by the City for potential violation of state law.¹⁰
- Contractor-related expenses that were paid for by CVB funds (See footnote 10).
- Gift related expenses. About 24 percent of the \$25,263 in unallowable expenses are for the purchase of gift cards. These gift cards had a monetary cash value from \$10 to \$100 each and is equivalent to providing a gift of public funds, which is a potential violation of state law that needs further review by the City.¹¹ Although the CVB reportedly used these for marketing purposes, these gift cards did not have the logo or brand of the CVB and/or Convention Center affixed to the gift card for it to be considered a marketing expense and

¹⁰ CA Government Code § 8314 states it is unlawful for any elected state or local officer, including any state or local appointee, employee, or consultant, to use or permit others to use public resources for a campaign activity, or personal or other purposes which are not authorized by law.

¹¹ Cal. Const., art. XVI, § 6b prohibits the giving or lending public funds to any person or entity, public or private.

justify the use of public funds. In addition, the Contractor/CVB did not establish controls to govern the distribution of the gift cards. We could not determine the recipients of the gift cards except in one instance. Upon termination of the Agreement by the City, the City found 66 gift cards valued at \$1,265 while cleaning CVB inventory. See Appendix D for a complete list of gift cards returned to the City.

A complete list of “not allowable” expenses is shown in Appendix A.

Questionable Expenses - \$28,016

The City’s Agreement with the Contractor states that any expenses related to travel or entertainment shall be verified by a statement and invoice. Credit card purchases were found “questionable” when expenses did not contain supporting documentation or other detailed information on the credit card statement to clearly verify the nature or allowability of the expense. Other credit card purchases for Contractor related operations were also determined to be “questionable” if an expense was incurred by a Contractor (and not a CVB) employee and we could not locate the posting of the expense in the Contractor’s general ledger. Therefore, raising the risk that the purchase may have been paid for by the CVB public funds.

Common examples of credit card related purchases by the CVB and Contractor employees that were identified as “questionable” are as follows:

- Restaurant expenses without information on the purpose of the expense.
- Contractor related expenses where we could not locate the account posting in the Contractor’s general ledger.
- Local Starbucks charges from CVB staff without any detail on the purpose of the expense.
- Amazon charges by the CVB without detailing the purpose of the expense.

A complete list of questionable expenses is shown in Appendix B.

Not Verifiable Expenses - \$926

Under Section 2 of the Agreement, the Contractor was to provide reporting and accounting to enable the City to determine and verify that the money paid by the City to the Contractor was “usefully” and “properly” expensed. There were some credit card transactions that we did not have any information about the credit card charge to draw any type of conclusion about its allowability or proper accounting. These transactions were classified as “non-verifiable.” Examples of “non-verifiable” expenses include only a name, such as Walmart, Hyatt, or Target.

A complete list of “not verifiable” expenses is shown in Appendix C.

Finding 5: Review of Contractor's Monthly Invoices Identified \$201 in Overbilling

In FY 2017-18, the City requested that the Contractor begin to submit monthly invoices for reimbursement for CVB expenses. The Contractor sent four invoices totaling \$395,907 for the five-month period of July to October 2017. The City requested we review these four invoices for accuracy.

We determined that the Contractor overbilled the City by a small amount of \$201, but the expenses were allowable. The data for this analysis was incorporated into Finding 6 of this report to avoid the double-counting of expenses.

Table 7: Review of Four Monthly Invoices Submitted to the City^a

Month of Invoice	Invoice Amount Submitted to the City by the Contractor	Amount that Should have been Billed to the City
July-17	\$96,892	\$98,395
August-17	\$87,444	\$92,812
September-17	\$119,419	\$105,036
October-17	\$92,151	\$99,462
Total	\$395,907	\$395,706
Net Amount Overcharged to the City.		\$0
Difference of \$201 is part of overall Finding 6, below.		

^a Numbers were rounded.

Finding 6: The CVB Spent \$57,885 More than it Received in Funding from the City for FY 2017-18

When we analyzed whether there were unspent public funds as of June 30, 2018 for FY 2017-18, CVB expenditures exceeded CVB revenues by \$57,885, as shown in Table 8. When the City did not renew the Contractor's contract to operate the CVB in June 2018, the Contractor opted to terminate the CVB employees, which led to one-time payments for unused vacation time for CVB employees at fiscal year-end and contributed to nearly all of the \$57,885 in cost overruns for FY 2017-18. We included the vacation pay-outs as a reimbursable item for two reasons.

1. Vacation pay-outs issued to terminated CVB employees were appropriately accounted for in the year the pay-out occurred (FY 2017-18). See Appendix E for detailed vacation pay-out information.
2. A vacation pay-out is a component of salary and benefit expenses. Payroll related expenses are allowed under the 2017 Agreement between the Contractor and the City.

Table 8: Results of FY 2017-18 Revenues versus Expenditure Analysis

Contracted Not to Exceed Amount	\$1,461,601
FY 2017-18 CVB Related Expenditures	\$1,476,476^a
Less CVB Revenue (Hotel Reservations, Service Commissions, TID Reimbursements, Interest)	(\$18,635)
Net FY 2017-18 CVB Related Expenditures	\$1,457,841
City Funding Remitted to the Contractor to support CVB Operations	\$1,399,956^b
Net Reduction in CVB Reserves (Expenses Exceeding City Funding)	\$57,885

^a Per Contractor's 2017-18 General Ledger (not audited). Includes vacation pay-outs for terminated CVB employees.

^b Does not include the June 29, 2018 City payment of \$80,000 for CVB payroll expenses to cover 60 days following contract termination.

Finding 7: Contractor Incurred Another \$158,079 in Allowable CVB Expenses from July to August 2018

On June 29, 2018, the City issued an additional payment of \$80,000 to the Contractor. This amount, along with the current CVB reserves of \$390,183 (at fiscal year-end 2017-18 per the CVB general ledger) already in the Contractor's possession, were to cover payroll expenses and related costs¹² for CVB employees for the 60 days following the contract termination date of June 30, 2018. When the City issued the supplemental payment, a request to the Contractor was made to submit a reconciliation and detailed accounting of its expenditures by September 2018. The Contractor submitted the requested documentation in May 2019.

The Contractor reported spending \$158,079 on CVB payroll activities between July and August 2018, exceeding the City's \$80,000 payment by \$78,079¹³ and were considered allowable, as shown in Table 9. The Contractor's current reserves for the CVB funded these additional \$78,079 expenses, which were for:

- Employee salaries
- Employee accrued vacation
- Employee benefits
- Payroll and human resources service fees
- Employer taxes

In response to the findings of the report, the Contractor provided other documentation for \$20,242 in expenses, in addition to the \$158,079 for allowable CVB payroll activities, incurred between July and August 2018. These additional expenses were for a Convention Center Management Fee, Accounting/Audit expenses, and Technical Support/Computer Upgrades. However, these additional expense items are not allowed under the terms of the supplemental payment and thus were considered unallowable.

¹² <https://santaclara.legistar.com/LegislationDetail.aspx?ID=3538163&GUID=0D2E7E69-1B4D-42C3-A829-EA6957C20C53&Options=&Search=>

¹³ Payroll expenses included salary expenses, payroll taxes, benefits, payroll vendor fees, and vacation pay-outs of \$8,885 paid on August 29, 2018.

Table 9: Analysis of the City's Additional Payment of \$80,000 to the Contractor

June 29, 2018 City Payment	\$80,000
Allowable Expenses for July to August 2018^a	\$158,079
CVB Expenses Covered by Reserves Held by Contractor	\$78,079

^a 60-day period after June 29, 2018.

Finding 8: The Contractor Has Not Provided Sufficient Documentation to Support Payment by the City of \$63,464 in Other TID Expenses Submitted for Reimbursement

On August 3, 2018, the City provided direction to the TID Advisory Board to temporarily freeze its cash reserve account and all transactions, including payment of any outstanding invoices, until resolution of open TID and Santa Clara Convention Center (SCCC) issues.

On January 9, 2019, the TID Advisory Board, whose operations were supported by the Contractor, submitted invoices for reimbursement to the City. These invoices totaled \$132,642. The Contractor requested the City to use the TID reserves, whose cash reserve balance was estimated to be \$390,183 at the end of FY 2017-18.

The City had previously reviewed and initially approved \$64,185 of the \$132,642 in outstanding invoices. At the time of this audit, another six invoices totaling \$68,457 were awaiting approval by the City for reimbursement to the Contractor.

For one invoice, totaling \$6,427.89 for credit card expenses, the Contractor had provided sufficient documentation to support \$4,993.45. For the remaining \$1,434.44 in expenses, the Contractor had not provided adequate documentation to support the charges, as shown in Table 10.

For another three invoices totaling \$61,091.98 for employee salaries, benefits, vacation pay-outs, bonuses, employer taxes, and payroll processing fees incurred between July and August 2018, the Contractor had not provided adequate documentation to support reimbursement. The Contractor provided payroll processing reports only, but no other documentation to support that two TID funded employees were actively working to promote TID interests during the two-month period.

For the remaining two invoices totaling \$937.22 for credit card charges and employee expense reimbursements, the Contractor had not provided adequate documentation to support reimbursement. Table 10 provides a summary of all six invoices that we reviewed.

Table 10: Review of Outstanding Contractor Invoices for TID Operations

Item #	Vendor	Invoice Date	Invoice Amount	Description	Allowable Expenses	Unable to Support
1	Contractor	6/20/18	\$6,427.89 ^a	American Express credit card charges from 5/3/18 to 6/30/18.	\$4,993.45	\$1,434.44
2	Contractor	6/20/18	\$15,964.21	TID accrued vacation payout expense for pay period ending 6/24/18. 391 vacation hours.	0	\$15,964.21
3	Contractor	7/31/18	\$18,954.31	TID Payroll expense for pay period ending 7/13/18 and 7/27/18.	0	\$18,954.31
4	Contractor	7/31/18	\$26,173.46	TID Payroll expense and bonus payout for pay period ending 8/10/18, 8/24/18, and 8/29/18.	0	\$26,173.46
5	Contractor	8/31/18 ^c	\$335.86	Credit card expenses charged on the June 2018 statement.	0	\$335.86
6	Contractor	8/31/18 ^c	\$601.36	Employee expense reimbursements.	0	\$601.36
		TOTAL^b	\$68,457		\$4,993	\$63,464

^a Amount excluded from credit card expense analysis discussed in Finding 4.

^b Rounded.

^c Date of email request from Contractor.

Section C: Appendixes

Appendix A: List of “Not Allowable” Expenses

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
7/1/2015	250.00	7330	Macy’s gift cards
7/21/2015	2.75	7330-0	Hyatt Regency bottled water
7/21/2015	13.51	7330-0	Hyatt Regency bottled water
7/28/2015	39.71	Unable to Locate Account Posting (ULAP)	Administrative meeting with staff
8/5/2015	18.50	7380-0	Budget meeting with internal staff
8/15/2015	55.94	CVB	Hyatt - administrative meeting
8/23/2015	29.35	7894-0	UBreakiFix - replacement of cell phone glass cover
8/25/2015	450.00	6548	Starbucks - 8 multipack gift cards
8/27/2015	75.00	6256/7303-1	See’s candies - appreciation gifts
8/30/2015	87.18	6526	dinner meeting
8/31/2015	25.00	6548	American Airlines - upgrade
9/2/2015	127.93	7370-0	Mission City Grill - administrative lunch meeting with staff
9/5/2015	76.36	7485-0	Hyatt Regency food expense
9/22/2015	35.62	ULAP	Administrative meeting with staff
9/23/2015	42.62	6280-0	Mission City Grill - staff lunch
9/30/2015	27.98	ULAP	Administrative meeting with Hyatt
10/7/2015	19.26	7370-0	Hyatt lunch
10/14/2015	35.37	ULAP	Costco client gift
10/15/2015	110.33	6540	Administrative lunch meeting at Piatti’s
10/29/2015	1.85	6280-0	CSU Dept of Transportation
11/4/2015	39.50	6280-0	Nothing But Bundt Cakes
11/5/2015	167.85	6694	Safeway - 3 \$50 gift cards
11/19/2015	1.95	6280-0	Starbucks - cookie, Santa Clara
11/19/2015	359.70	6280-0/6511	PayPal - rhinestone lanyard gifts
1/16/2016	24.46	7894-0	Verizon wireless charger
1/19/2016	169.65	7520-0	Bourbon Steak lunch for potential chamber member attended by CVB and Contractor staff. Thank you note indicated that a gift was also provided.
2/2/2016	100.00	6507	Macy's \$100 gift card
2/3/2016	57.06	7370-0	See’s Candies - gifts
2/9/2016	5.38	6530	DollarTree - gift wrap
2/15/2016	25.25	6512	Target - food for TID staff mtg
2/17/2016	11.66	6530	Walmart - gift wrap
2/19/2016	68.64	7520-0	Bourbon Steak - administrative meeting with TID participating hotel
2/23/2016	30.00	6540	Starbucks gift cards

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
3/1/2016	26.25	8100	Target - Administrative meeting
3/1/2016	19.95	CVB	Starbucks administrative meeting
3/10/2016	35.37	8100	Vespa restaurant - mtg with Hyatt house – administrative meeting
3/10/2016	75.08	8100/7520-0	Bourbon Steak - dinner
3/27/2016	24.46	7894-0	Verizon wireless - vehicle charger
3/27/2016	30.98	7894-0	UBreakiFix - PHONE tempered glass
5/10/2016	50.43	6540	Costco gifts
5/12/2016	8.54	6507	Wal mart - gift supplies
5/12/2016	3.21	6507	Marshalls - gift supplies
5/18/2016	90.00	ULAP	Macy's - gift cards
6/7/2016	18.00	ULAP	Sutter Club
6/11/2016	20.00	ULAP	Starbucks card reload
6/21/2016	47.65	8100	Piatti's Ristorante - administrative meeting at Hyatt
6/22/2016	300.00	ULAP	Starbucks gift cards
6/28/2016	20.00	1150-0	Chevron - charged as Accounts Receivable
6/29/2016	73.89	8100	Hyatt - Santa Clara - Administrative Budget meeting with staff
7/5/2016	43.98	ULAP	Hyatt - administrative lunch meeting
7/21/2016	72.91	ULAP	Birks - administrative lunch meeting
8/4/2016	732.84	6212	Hyatt – Sacramento
8/23/2016	400.00	6548	Starbucks - 40 Gift cards for connect marketplace
9/7/2016	200.00	6519	American Airlines - change fee
10/1/2016	63.18	6540	Wal Greens - gifts
10/7/2016	214.67	ULAP	TID participating hotel administrative meeting
10/19/2016	200.00	ULAP	Starbucks gift cards
10/24/2016	23.87	6540	Target gifts
11/1/2016	200.70	6694	Safeway Store - 6 visa gift cards
11/7/2016	15.00	7520-0	Southwest - Early bird check-in
11/7/2016	15.00	7520-0	Southwest - Early bird check-in
11/29/2016	11.80	ULAP	Grocery outlet - Wine - Gift bag donation
12/1/2016	21.70	ULAP	Starbucks - internal staff meeting
2/16/2017	66.00	6280-0	Aldos Ristorante - Dinner
2/22/2017	56.66	6512-0	Il Fornaio Cucina - administrative meeting with TID participating hotel
2/22/2017	696.000	6530-0	Cirquesoleil - Tickets
3/2/2017	40.87	1150-0	Enterprise
3/13/2017	357.61	1150-0	Six Flags Discovery
3/30/2017	67.34	7370-0	Il Fornaio Cucina - Santa Clara - administrative lunch meeting with TID participating hotel
4/19/2017	495.00	1150-0	Crime Stoppers

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
4/20/2017	89.47	1150-0	VTs San Diego
5/4/2017	166.52	ULAP	Il Fornaio Cucina - Santa Clara - dinner
5/20/2017	23.09	1150-1	Enterprise Rental Cars (coded to CVB on GL)
5/22/2017	23.09	1150-0	Enterprise rental charged by Contractor employee and posted to CVB
5/24/2017	19.99	2100-0	Safeway coded to CVB on GL
5/25/2017	35.26	1150-0	Enterprise rental
5/26/2017	32.25	6512-0	Xanh Restaurant - dinner
6/7/2017	450.00	6530-0	Macy's - Gift Cards (9)
6/10/2017	10.00	ULAP	Starbucks Gift Cards
6/14/2017	55.87	7370-0	Il Fornaio - administrative lunch meetup with TID participating hotel
6/16/2017	50.00	6521	Starbucks cards
6/19/2017	150.00	7380-0	\$25 Starbuck cards
6/23/2017	160.23	6221	Education summit
6/23/2017	200.00	6530/TID	Starbucks 50 cards
6/24/2017	720.53	6530/TID	Firebirds
6/28/2017	125.00	6530	Starbucks gift cards
7/8/2017	119.92	6301	Amazon computer mouses and computer sleeves (gifts)
7/15/2017	19.78	ULAP	Amazon I-phone cases
7/16/2017	11.90	ULAP	Amazon
7/19/2017	96.17	ULAP	Amazon I-phone cases
7/28/2017	65.29	ULAP	Hyatt meal
8/1/2017	12.15	6214	Deli food for CVB staff in Santa Clara
8/12/2017	79.40	ULAP	Il-Fornaio - dinner
8/15/2017	25.00	ULAP	Airline upgrade
8/18/2017	315.00	7381-0	Collinson Media
8/18/2017	24.05	7370-0	Specialty's Café - Administrative staff meeting to discuss marketing
8/19/2017	52.00	7381-0	Taxi
8/24/2017	14.98	7830-0	UBER
8/25/2017	22.08	7830-0	Sushi King
8/25/2017	7.62	7830-0	Subway
8/25/2017	12.96	7830-0	Silver Street Market
8/25/2017	15.42	7381-0	Taxi
8/25/2017	50.00	7381-0	Taxi
8/26/2017	13.21	7830-0	Little Anitas
8/27/2017	8.77	7830-0	Seven Eleven
8/27/2017	7.62	7830-0	Subway
8/27/2017	16.98	7830-0	Farina Downtown

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
8/28/2017	741.41	7830-0	Andaluz Hotel
8/28/2017	18.47	7830-0	Comida Buena
8/28/2017	11.78	7830-0	Burrito Company
8/28/2017	104.00	7830-0	Laz Parking
8/28/2017	14.54	7830-0	LYFT
8/30/2017	85.95	7498-0	Southwest
9/2/2017	153.96	7498-0	Southwest
9/2/2017	627.45	CVB	Starbucks - 90 cards PO was for \$55 worth
9/2/2017	30.00	ULAP	Airline
9/14/2017	22.52	6209-0	Gift baskets
9/20/2017	94.83	6290-0	Computer Mouses - gifts
9/27/2017	536.82	ULAP	Zoro Tools
10/15/2017	19.71	CVB	UBER eats
10/18/2017	92.33	6209-0	Computer Mouses (gifts)
10/27/2017	147.46	ULAP	Fleming's - Dinner
10/30/2017	221.75	6694-0	Visa gift cards - Reception
10/31/2017	25.00	ULAP	Starbucks gift card reload
11/5/2017	16.56	1150-0	UBER - personal, Accounts Receivable noted
11/9/2017	10.71	6209-0	Mouse
11/21/2017	1,200.00	6693-0	The Portofino (On G/I shows CC advance - special ops)
12/6/2017	290.00	ULAP	Starbucks gift cards
1/5/2018	143.13	6220-0	Amazon purchase - gift bags
1/18/2018	119.29	CVB	Hardware
2/7/2018	78.56	CVB	Construction
2/8/2018	14.01	6507	Dollar tree gift wrap
2/13/2018	11.06	7370-0	Michael's gift wrap
3/6/2018	165.00	7370-0	Restaurant, Santa Clara, client dinner
3/10/2018	2,226.54	ULAP	Zoro tools
3/13/2018	120.00	ULAP	TRAK chain service
3/17/2018	92.55	7495-0	QVC gifts
3/17/2018	97.55	7495-0	QVC gifts
3/19/2018	446.89	7382-0	Apple WATCH
3/21/2018	52.02	6301-0	Ubreak cell phone repair
3/22/2018	70.63	ULAP	Air purifier
3/28/2018	28.96	6230-0 ; 6209-0;	Amazon purchase - cell phone cases
3/29/2018	144.80	6529	Airline
4/7/2018	6.54	6209-0	Amazon phone card
4/13/2018	26.80	1156-2	Groceries
4/13/2018	83.73	6507	Starbucks card
4/18/2018	233.05	ULAP	Stop signs

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
4/24/2018	10.78	8100	Target soda
4/25/2018	11.96	8100	Smart and final soda
4/26/2018	373.09	ULAP	Michigan company
4/26/2018	25.95	CVB	Safeway muffins
4/27/2018	30.81	6209-0	Airline charge
4/27/2018	18.04	ULAP	Cal steam
5/1/2018	93.30	7370-0	Flemings (dinner)
5/1/2018	330.25	ULAP	Zoro tools
5/4/2018	265.52	ULAP	Zoro tools
5/8/2018	350.00	7361-0/7361-1	Sierra Elk Grove- event table for Chamber and split charge with CVB
5/19/2018	68.57	7370-0	Flemings - lunch with Hyatt
5/19/2018	5.99	6209-0	Amazon bags
5/22/2018	92.12	7370-0	Piatti's - administrative meeting with TID participating hotel
5/23/2018	64.37	7370-0	OPA - dinner
5/23/2018	98.21	6540	Starbucks
5/30/2018	32.48	6512	Breakfast mtg with CVB staff at Hilton
5/30/2018	72.88	6512	Hilton - Lunch mtg with CVB staff
5/30/2018	205.86	6512	Dinner mtg
5/30/2018	25.17	6512	Peets
6/10/2018	11.00	6512	Starbucks reload
6/12/2018	43.58	7361-0	Amazon
6/13/2018	11.74	7361-0	Hyatt
6/13/2018	320.00	7361-0	Macy's gift cards
6/13/2018	91.83	CVB	Cell phone supplies
6/15/2018	70.00	7096-0	Starbucks gift cards
6/16/2018	161.31	1176-0	Zoro tools
6/26/2018	350.00	7361-0	Starbuck gift cards
6/29/2018	3.48	6512	Hyatt regency
6/29/2018	220.00	7330-0	Starbucks gift cards
6/29/2018	659.95	7096-0	Starbucks gift cards
6/30/2018	273.08	7330-0	Paul Martins
7/3/2018	1,441.26	1176-0	Zoro tools
7/4/2018	78.09	1176-0	Wal Mart

Appendix B: List of “Questionable” Expenses

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
9/5/2015	100.05	ULAP	Go daddy - domain renewal for silicon valley professionals
9/6/2015	30.59	ULAP	Go daddy
9/9/2015	49.99	ULAP	Adobe
10/17/2015	1,000.00	ULAP	Great America online
11/6/2015	20.97	ULAP	Safeway Peets coffee
2/5/2016	40.00	ULAP	Contractor expense. Next generation - unable to locate in Contractor GL
2/15/2016	89.94	ULAP	Contractor expense Meet up (unable to locate in Contractor general ledger
2/8/2016	260.45	7520-0	Hilton
2/11/2016	70.74	7520-0	Piatti's
7/3/2015	19.75	7330-0	Hyatt Santa Clara
7/2/2015	161.70	7370-0	Bourbon Steak
7/10/2015	30.61	7370-0	Hyatt Santa Clara
12/2/2015	158.29	7370-0	Birks restaurant
10/23/2015	37.99	ULAP	Amazon
10/27/2015	49.69	ULAP	Amazon
2/16/2016	22.80	7370-0	Cost Plus donation basket to SC Schools Foundation
4/4/2016	73.18	6512	Hyatt Regency
4/19/2016	14.14	6230-0	Hyatt
2/19/2016	5.95	6530	Starbucks
2/21/2016	5.90	6530	Starbucks
4/4/2016	10.00	1015-0	PayPal - Silicon Valley score
12/4/2015	5.25	6511	Bottom up
8/5/2015	9.79	6209-0/1	Keys for Contractor's office
2/14/2017	23.93	ULAP	Libero 7
2/14/2017	113.22	ULAP	Amazon
2/14/2017	52.61	ULAP	Amazon
2/14/2017	28.32	ULAP	Amazon
2/15/2017	25.32	ULAP	Amazon
2/16/2017	108.47	ULAP	Amazon
2/20/2017	2,000.00	ULAP	2017 Spring Advo San Francisco
2/24/2017	20.30	ULAP	Chipotle
2/24/2017	25.00	ULAP	Starbucks
2/26/2017	224.04	ULAP	Southwest
2/26/2017	139.94	ULAP	Southwest
2/26/2017	245.44	ULAP	Southwest
2/27/2017	50.97	ULAP	Amazon

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
2/28/2017	25.00	ULAP	Starbucks
3/7/2017	33.75	ULAP	Enterprise
3/7/2017	26.50	ULAP	Amazon
3/7/2017	63.98	ULAP	Amazon
3/8/2017	42.00	ULAP	Peet's
3/9/2017	38.46	ULAP	Amazon
3/9/2017	245.46	ULAP	Amazon
3/13/2017	36.79	ULAP	Enterprise
3/13/2017	33.61	ULAP	Amazon
3/13/2017	31.45	ULAP	Amazon
3/14/2017	11.91	ULAP	Bold Bite Dogs
3/14/2017	9.16	ULAP	Peet's
3/15/2017	5.46	ULAP	Uber
3/15/2017	4.85	ULAP	Uber
3/15/2017	7.64	ULAP	Uber
2/14/2017	3.00	ULAP	CSJ 3rd Street Parking - unable to locate in GL
4/20/2017	7.70	ULAP	Starbucks
4/26/2017	9.65	ULAP	Starbucks
4/27/2017	9.20	ULAP	Starbucks
5/2/2017	7.40	ULAP	Starbucks
5/5/2017	6.00	ULAP	Laz Parking
5/10/2017	8.70	ULAP	Starbucks
5/13/2017	34.00	ULAP	Starbucks
7/28/2016	236.61	ULAP	La Quinta
7/31/2016	313.64	ULAP	Plus Scotts
8/9/2016	49.99	6485-1	Adobe Creative Cloud - software subscription
7/1/2016	577.44	ULAP	Scotts Valley
7/12/2016	2,215.32	ULAP	Scotts Valley
7/12/2016	194.79	ULAP	Scotts Valley
1/31/2017	3.22	ULAP	Dollartree - gift wrap for silent auction donation
6/2/2017	39.70	6512-0	Hyatt - Santa Clara
5/18/2017	29.42	6280-0	Vino Locale
5/26/2017	45.24	6280-0	Vino Locale
6/2/2017	15.25	8100-0	Hyatt - Santa Clara
5/30/2017	15.00	7380-0	Southwest - unknown reason
6/5/2017	29.00	6507-0	Amazon
6/7/2017	25.70	6507-0	Amazon
6/8/2017	36.90	7380-0	Amazon
6/8/2017	223.45	6543-0	Sisco Breakers

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
3/15/2017	20.96	6209-0	Amazon
2/18/2017	25.16	6280-0	Hyatt - Santa Clara - Lunch
3/14/2017	597.59	ULAP	Industrial Equipment Houston
4/28/2017	47.94	ULAP	Safeway Store
4/30/2017	58.14	ULAP	Hyatt - Santa Clara
5/12/2017	146.30	ULAP	Kelly Moore Paint
5/13/2017	9.35	ULAP	David's Restaurant
3/15/2017	55.79	6209-0	Amazon
4/4/2017	41.72	7370-0	Mission City Grill - Santa Clara
10/13/2016	313.19	6540	Hyatt - Santa Clara
11/3/2016	52.50	6540	Il Fornaio
11/10/2016	110.20	6540	Il Fornaio
7/16/2016	61.66	8100	Village Café
7/15/2016	27.26	6540	Hyatt
8/10/2016	146.36	6220-0	Best Buy
6/3/2017	25.00	ULAP	Starbucks
6/15/2017	50.08	ULAP	Cell phone
6/21/2017	35.00	ULAP	Starbucks
7/8/2017	2.00	ULAP	Amazon
9/12/2017	748.51	ULAP	Facebook Ads
8/31/2017	134.92	ULAP	Linq Adv Rsvn
5/17/2018	12.00	7370-0	Santa Clara hotel
2/6/2018	124.20	7370-0	Playing with dough cookies
2/15/2018	60.72	7370-0	Lunch items
2/6/2018	3.19	6209-0	Walmart sympathy card
2/8/2018	20.00	6507	Dante club with clients
2/8/2018	7.00	6507	Dante club drinks with clients
12/23/2017	436.99	6295-0	Electronics
12/27/2017	217.99	6693	Best buy electronic
3/4/2018	34.99	ULAP	Amazon books
6/19/2017	256.31	6540/TID	Specialty Café
4/4/2018	174.37	6544	Restaurant
4/7/2018	10.90	6544	Starbucks
4/7/2018	24.00	6544	Starbucks
5/8/2018	2,725.30	6507	Bourbon steak for MPI SNN retreat
4/18/2018	100.00	ULAP	Triton museum chairs
5/1/2018	22.95	ULAP	Safeway
4/21/2018	72.96	ULAP	Airlines
5/8/2018	7.00	ULAP	LYFT
5/9/2018	88.52	6544/6507	Budget

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
6/8/2018	32.07	7330-0	Penny's
6/9/2018	169.99	6230-0	Amazon
6/11/2018	320.87	6230-0	Amazon
6/12/2018	72.00	7361-0	Yiannis
6/6/2018	150.71	7823-0	Panera bread
6/7/2018	42.00	7823-0	Spa
5/24/2018	33.11	7823-1	Amazon
6/9/2018	3.96	6209-0	Target
6/11/2018	32.81	6209-0	Michael's
6/12/2018	473.65	7361-0	Amazon
6/22/2018	138.76	7370-0	Hyatt Regency
7/15/2018	70.06	6230-0	Amazon books
6/19/2018	1,152.71	7331-0	Party concierge
6/14/2018	43.49	6209-0	Ross
6/19/2018	55.86	7370-0	Village café
6/15/2018	26.15	7361-0	Michaels - party supplies
6/9/2017	8.13	ULAP	Target - Stationery
7/14/2017	152.95	ULAP	Plumbing/heating
7/19/2017	81.73	ULAP	Verizon
7/25/2017	5.45	ULAP	Verizon
7/25/2017	284.00	ULAP	Hyatt
7/28/2017	1,636.11	CVB	Asian Auto Clinic
9/1/2017	15.00	ULAP	Southwest
9/1/2017	153.96	ULAP	Southwest
9/1/2017	15.00	ULAP	Southwest
8/16/2018	10.53	ULAP	Hyatt
8/30/2017	8.04	ULAP	Hyatt
8/31/2017	33.25	ULAP	Hyatt
9/1/2017	192.23	ULAP	Hyatt
9/4/2017	123.46	ULAP	Hilton
9/7/2017	145.97	ULAP	OPA Authentic Greek
9/8/2017	63.87	ULAP	Mission City Grill
9/9/2017	76.22	ULAP	Jang Su Jang
9/13/2017	11.00	ULAP	Fairmont
9/30/2017	70.86	7370-0	Il Fornaio lunch
10/1/2017	4.32	6544-0	Michael's
9/27/2017	13.06	ULAP	Amazon
9/28/2017	32.54	ULAP	Amazon
10/13/2017	354.25	ULAP	Sisco Breakers
10/14/2017	71.09	ULAP	TAP Plastics

Date of Charge	Charge Amount (\$)	Charged to Contractor/CVB or TID	Description
10/14/2017	973.88	ULAP	TAP Plastics
10/31/2017	189.00	ULAP	ID Zone
11/22/2017	10.75	ULAP	Hyatt
11/28/2017	599.00	ULAP	CA Travel Summit - Conference
11/29/2017	8.17	4297-0	GoDaddy - Webdomain
11/30/2017	505.82	6693-0	Facebook Ads
11/25/2017	15.59	ULAP	Michaels Stores
11/29/2017	22.92	ULAP	Amazon
11/29/2017	27.98	ULAP	Amazon
12/3/2017	911.00	ULAP	STL, LTD
12/8/2017	1,026.03	ULAP	The Party Concierge
6/15/2018	70.96	CVB	Amazon
6/13/2018	12.51	7361-0	Amazon
4/24/2018	74.69	ULAP	Groceries

Appendix C: List of “Non-Verifiable” Expenses

Date of Charge	Charge Amount	Charged to Contractor/CVB or TID	Description
3/23/2016	37.20	ULAP	Target
3/29/2017	6.25	ULAP	Hyatt Regency
4/30/2016	14.14	ULAP	Hyatt
2/15/2016	86.45	ULAP	Hyatt
10/13/2015	3.25	7370-0	Plummbiner
10/27/2015	19.76	7370-0	Target
5/25/2017	17.63	6280-0	Cape EPI
5/20/2017	103.79	6543-0	RSD
12/9/2016	50.00	6511-0	STL
12/13/2016	279.20	7410-0, 6544-0	EAX World Wide
1/5/2018	17.80	6512	Walmart
3/17/2018	75.00	ULAP	Certifyme
5/11/2018	215.25	ULAP	Smart city networks

Appendix D: Inventory of Gift Cards

Source: City of Santa Clara

STARBUCKS		AMOUNT ON CARD	
#1	\$5.00	#26	\$5.00
#2	\$5.00	#27	\$5.00
#3	\$5.00	#28	\$5.00
#4	\$5.00	#29	\$5.00
#5	\$5.00	#30	\$5.00
#6	\$5.00	#31	\$5.00
#7	\$5.00	#32	\$10.00
#8	\$5.00	#33	\$10.00
#9	\$5.00	#34	\$10.00
#10	\$5.00	#35	\$10.00
#11	\$5.00	#36	\$10.00
#12	\$5.00	#37	\$10.00
#13	\$5.00	#38	\$10.00
#14	\$5.00	#39	\$10.00
#15	\$5.00	#40	\$10.00
#16	\$5.00	#41	\$10.00
#17	\$5.00	#42	\$10.00
#18	\$5.00	#43	\$10.00
#19	\$5.00	#44	\$10.00
#20	\$5.00	#45	\$10.00
#21	\$5.00	#46	\$10.00
#22	\$5.00	Subtotal	\$305.00
#23	\$5.00		
#24	\$5.00		
#25	\$5.00		

BOURBON STEAK & PUB		AMOUNT ON CARD
#1		\$60.00
#2		\$60.00
#3		\$60.00
#4		\$60.00
#5		\$60.00
#6		\$60.00
#7		\$60.00
#8		\$60.00
#9		\$60.00
#10		\$60.00
#11		\$60.00
#12		\$60.00
#13		\$60.00
#14		\$60.00
#15		\$60.00
#16		\$60.00
Subtotal		\$960.00

RESTAURANT	TOTAL AMOUNT
STARBUCKS	\$305.00
BOURBON STEAK & PUB	\$960.00
Subtotal	\$1,265.00

Appendix E: CVB Employee Vacation Payouts

CVB	FY 2018-19				FY 2017-18		
Employee	Pay Date	Vacation Pay Amount (\$)	Payout Hours		Pay Date	Vacation Pay Amount (\$)	Payout Hours
CVB Employee 1	8/29/2018	2,162.77	46.15		6/29/2018	9,700.84	207.0
CVB Employee 2	8/29/2018	495.69	15.4		6/29/2018	1,939.99	41.4
CVB Employee 3	8/29/2018	333.10	15.4		6/29/2018	812.21	17.3
CVB Employee 4	8/29/2018	481.25	15.4		6/29/2018	724.76	15.5
CVB Employee 5	8/29/2018	989.77	30.75		6/29/2018	3,758.61	80.2
CVB Employee 6	8/29/2018	761.37	30.75		6/29/2018	2,502.59	53.4
CVB Employee 7	8/29/2018	1,790.32	30.75		6/29/2018	6,423.42	137.1
CVB Employee 8	8/29/2018	703.37	15.4		6/29/2018	1,182.99	25.2
CVB Employee 9	8/29/2018	457.69	15.4		6/29/2018	1,839.14	39.2
CVB Employee 10	8/29/2018	342.65	15.4		6/29/2018	801.97	17.1
CVB Employee 11	8/29/2018	367.29	15.4		6/29/2018	637.37	13.6
		\$8,885.27				\$30,323.89	

Appendix F: City Response to Report Recommendations



**City of
Santa Clara**
The Center of What's Possible

City Manager's Office

October 30, 2019

Ms. Denise Callahan
President & Principal Consultant
TAP International, Inc.
3436 American River Drive, Suite 9
Sacramento, CA 95864

Re: Contract Close Out Review: Convention and Visitor's Bureau Draft Report August 2019

Dear Ms. Callahan:

Thank you for your final draft audit report. Staff has had the opportunity to review the key findings of your audit and has prepared the following responses to your nine Recommendations. As requested under your audit requirements, the City has provided a response to each Recommendation with one of three possible options:

1. City provides response and outlines corrective action plan to address the recommendations;
2. City can agree or disagree and have no other narrative; or
3. City does not agree or disagree and will take recommendations under advisement.

For clarification, it should be noted that the audit refers to the Contractor throughout the audit and that this response refers to the "Contractor" as the Santa Clara Chamber of Commerce (Chamber).

This letter, along with proposed responses from staff (through a staff report), will be presented to the City Council on November 12, 2019 for their consideration. Following the presentation of your report to the City Council, the Council will make the final determination on the proposed responses and any next steps:

Recommendation 1

The City should consider whether it wants to pursue \$448,068 in cumulative CVB reserves retained by the Contractor through Fiscal Year (FY) 2016-17.

Response to Recommendation 1: Staff agrees with the calculation of the unspent funds in the CVB reserves and will seek Council direction regarding the return of funds.

Recommendation 2

The City should determine whether it wants to allow the Contractor to use the CVB reserves for operating expense incurred in FY 2017-18 and 2018-19 that exceeded the contract's "not to exceed" amounts of \$57,885 and \$78,079, respectively.

Response to Recommendation 2: Staff agrees with the calculation of overspent funds. Staff will seek Council direction regarding whether expenditures should be offset by the CVB reserves retained by the Chamber.

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TAP International, Inc.

Subject: Contract Close Out Review: Convention and Visitor's Bureau Draft Report August 2019

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Recommendation 3

The City should seek reimbursement from the Contractor for shared operating costs of \$50,267.

Response to Recommendation 3: Staff agrees with the calculation of shared operating costs and will request Council direction regarding reimbursement.

Recommendation 4

The City should seek reimbursement of \$704 for its portion of the revenue generated from the sale of tickets for area attractions.

Response to Recommendation 4: Staff agrees with the calculation of the ticket sale revenues and will request Council direction regarding reimbursement.

Recommendation 5

The City should seek reimbursement of \$52,940 in net credit card expenses that were identified as "not allowable", "questionable" or "not verifiable." (This amount includes a reduction of the value of the purchased gift cards returned to the City by the Contractor of \$1,265.)

Response to Recommendation 5: Staff agrees with the calculation that \$52,940 in net credit card expenses were determined to be as "not allowable", "questionable" or "not verifiable" and will request Council direction regarding reimbursement.

Recommendation 6

The City should seek a refund from merchants for the purchased gift cards in its possession that were returned from the Contractor.

Response to Recommendation 6: Staff agrees with the calculation but given the time and effort that would be required to contact and engage merchants to request a refund, believe that the total staff cost outweigh the value of the gift cards. Accordingly, staff recommends we assess future opportunities on how to utilize the gift cards as a community benefit.

Recommendation 7

The City should release \$4,993 from the held TID funds to reimburse expenses on the outstanding TID invoices submitted by the Contractor.

Response to Recommendation 7: Staff agrees with the calculation. Staff will seek Council direction regarding reimbursement.

Recommendation 8

Because the Contractor could not provide documentation to support its claim that TID-funded Contractor employees were actively engaged in TID activities between July and August 2018, the City should withhold reimbursement to the Contractor for \$61,092 in TID expenditures for employee salary, benefits, taxes, bonuses, vacation payouts and payroll processing fees incurred during this period. The City should also not reimburse \$2,372 in other credit card and employee expense reimbursement requests.

TAP International, Inc.

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Response to Recommendation 8: Staff agrees that any expenses that cannot be verified, whether it be staff time and or other, should not be reimbursed.

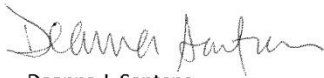
Recommendation 9

The City should conduct further review for any potential violation of laws for the use of public funds to support Contractor member recruiting and Contractor use of gift cards.

Response to Recommendation 9: Staff agrees with this recommendation and have submitted a copy of the August 2019 draft report "Contract Close Out Review: Convention and Visitor's Bureau" to the City Attorney's Office for review to assess if there are any potential violation of the law regarding the use of public funds. Determination is pending review.

Staff has provided responses based on instructions provided. Staff will seek City Council direction on reimbursements and policy directions regarding next steps. The decision to pursue funds owed to the City may entail legal action and as such would be directed by City Council.

Sincerely,



Deanna J. Santana
City Manager

cc: Brian Doyle, City Attorney