Beverly Hills City Council Liaison / Audit and Finance Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

CITY OF BEVERLY HILLS
455 N. Rexford Drive
Beverly Hills, CA 90210

TELEPHONIC VIDEO CONFERENCE MEETING

Beverly Hills Liaison Meeting
https://www.gotomeet.me/BHLiaison
No password needed
You can also dial in by phone:
United States (Toll Free): 1-866-899-4679 or United States: +1 646-749-3117
Access Code: 660-810-077

Wednesday, January 13, 2021
4:30 PM

Pursuant to Executive Order N-25-20, members of the Beverly Hills City Council and staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public can view this meeting through live webcast at www.beverlyhills.org/live and on BH Channel 35 on Spectrum Cable, and can participate in the teleconference/video conference by using the link above. Written comments may be emailed to mayorandcitycouncil@beverlyhills.org.

AGENDA

1) Public Comment
   a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.

2) Audit of the Agreement Between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for FY 2018-2019

3) Trust and Innovation Portal First Quarter FY 2020-2021

4) Trust and Innovation Portal Second Quarter FY 2020-2021

5) Adjournment

Huma Ahmed
City Clerk

Posted: January 8, 2021

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT WWW.BEVERLYHILLS.ORG

Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-8881 (TTY). Providing at least forty-eight (48) hours advance notice will help to ensure availability of services.
Audit of the Agreement Between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for Promotion of the City for Fiscal Year 2018-2019

Report 01-FY 2020/21 | December 2020

OFFICE OF THE CITY AUDITOR
Eduardo Luna, City Auditor
The Office of the City Auditor has established the Trust & Innovation Portal (TIP) in order to enhance trust by safeguarding public monies and resources and holding City officials and employees accountable as stewards. TIP is an online tool accessible at beverlyhills.org/TIP designed to encourage residents and employees to:

1) Share innovative ideas about improving City services; and

2) Report suspected cases of improper activity in City operations.

Residents and employees can also offer suggestions or make reports by emailing TIP@beverlyhills.org or by calling 310-288-2TIP (310-288-2847). All emails and calls will be treated with the utmost confidentiality.
December 30, 2020

Honorable Mayor and City Council
City of Beverly Hills, California

Transmitted herewith is an audit report on the Agreement between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for Promotion of the City for Fiscal Year (FY) 2018-2019. The Results in Brief is presented on page 1. Management’s response to our audit recommendations can be found after page 31 of the report.

In addition to the findings discussed in this report, we also included a section, Other Pertinent Information, to highlight three additional issues regarding the CVB’s current ratio, reserve fund and buffer, and use of written agreements with vendors.

We would like to thank the Beverly Hills Conference and Visitors Bureau and the City of Beverly Hills’ Policy and Management staff for their assistance and cooperation during this audit. All of their valuable time and efforts spent providing us information are greatly appreciated. The audit staff member responsible for this audit report is Abbey Tenn.

Respectfully submitted,

Eduardo Luna
City Auditor

cc:      George Chavez, City Manager
        Nancy Hunt-Coffey, Assistant City Manager
        Gabriella Yap, Deputy City Manager
        Laurence Wiener, City Attorney
        Jeff Muir, Director of Finance
        Tatiana Szerwinski, Assistant Director of Finance
        Laura Biery, Marketing and Economic Sustainability Manager
        Julie Wagner, Conference and Visitors Bureau Chief Executive Officer
        Peter Humig, Conference and Visitors Bureau Board President
        Bill Wiley, Conference and Visitors Bureau Treasurer
        Eliot Finkel, Conference and Visitors Bureau Board Member
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Results in Brief

The Beverly Hills Conference and Visitors Bureau (CVB) has taken recent steps to strengthen its financial practices. In 2019, the CVB updated its Finance Policies and Procedures which provides guidance on various topics such as invoice approval, check writing, credit card usage, travel, and expense reporting. The CVB utilized an external accounting firm, Rahban CPA & Consulting, Inc. to perform bookkeeping services from July 1, 2018 through August 31, 2020. The CVB's current external accountant, Peace of Mind Bookkeeping, began on September 1, 2020. Notwithstanding these improvements, we found that the CVB had weak internal financial management practices, including improper segregation of duties and several personal expenses made by the CVB CEO. These expenses are questionable and do not appear to directly support the CVB’s mission of promoting the City of Beverly Hills as a high-end travel destination.

Most notably, the following observations require the City’s attention:

- During the audit period, FY 2018-2019, the CVB spent approximately $2.9 million on special targeted marketing events to promote the City to domestic and international visitors. However, an independent assessment of the merits of these programs was not possible as the CVB could not readily provide post-event metrics. Additionally, we found that marketing-related expenses for CVB events appear excessive. Special events include receptions and private dinners with costs ranging from a few thousand dollars to over $60,000 per event. (Finding 1)

- While reviewing transactions in our audit scope, we found that the CVB CEO’s expenditures could be characterized as excessive and personal in nature. Moreover, we questioned the utility of chauffeured car services for domestic travel and a personal sightseeing tour during business travel. These expenditures went unnoticed because of the CVB Board’s limited review process and the City’s limited oversight role. (Finding 2)

- In our sample of 28 travel expenses, we noted eight transactions at luxury hotels (six for the CVB CEO and two for CVB staff) paid on the CVB credit card that appeared excessive. We also noted that neither the CVB’s Finance Policies and Procedures nor the Employee Handbook included comprehensive guidance on per diem for business travel. (Finding 3)

- The CVB’s purchasing approval levels and bid requirements for procurement of supplies, equipment, and non-professional services do not coincide with the City’s purchasing approval levels and bid requirements. Specifically, the Agreement does not mandate a specific procurement process for the CVB to follow. The CVB’s Finance Policies and Procedures do not include guidelines for selecting, approving or authorizing payments to vendors. (Finding 4)

- During the course of our review, we found that account codes did not always tie to the corresponding budget line item. Hence, the CVB’s accounting records do not capture the true cost of budget line items such as travel. (Finding 5)
In addition to our findings, we also highlight observations regarding the CVB’s current ratio, reserve fund balance and buffer, and use of written agreements with vendors in the Other Pertinent Information section of this report. Specifically:

- The CVB’s current ratio as of June 30, 2020 was 17.20 which indicates that the CVB has enough liquid assets to pay its current liabilities over 17 times. The Agreement does not stipulate an appropriate target for the CVB’s current ratio. As a result, the CVB may not be using transient occupancy tax funds efficiently and the City may provide the CVB with a larger budget than is necessary to perform the Scope of Work identified in the Agreement.

- The CVB has a reserve fund with a balance over $300,000, which is a combination of a Certificate of Deposit (CD) and a separate brokerage account. Additionally, the CVB maintains a $200,000 buffer which is separate and distinct from its reserve fund.

- The CVB limits the use of service agreements with vendors based on a $10,000 threshold. Failing to execute written agreements with vendors creates legal uncertainty, may increase the CVB’s financial risk, and may leave the CVB and City with limited recourse if vendors do not perform as agreed upon.

We provided a copy of this report to City and CVB staff for their review. They generally concurred with the report and only had minor comments. To address the issues raised in this report, we have included specific recommendations to improve controls over the CVB’s internal business processes on page 26.
**Background**

The Beverly Hills Conference & Visitors Bureau is the City’s principal marketing organization with resources for visitors, members of the media, and travel trade. The CVB encourages economic and social vitality through the development and execution of unique, creative initiatives designed to drive incremental business to local merchants, restaurants, hotels and attractions. The CVB is contracted by the City to conduct tourism and marketing programs which promote Beverly Hills.

The CVB’s budget is funded entirely from Transient Occupancy Tax (TOT) monies. Hotel guests in Beverly Hills are typically charged 14 percent in transient occupancy taxes for their stay. Hotels in Beverly Hills collect TOT on behalf of the City. The City sets aside two percent of TOT revenues for tourism marketing. The CVB’s budget has historically been approximately 60 percent to 65 percent of the monies set aside for tourism marketing.

The CVB Board is mainly composed of hotel, retail and business managers based in Beverly Hills while the Beverly Hills City Council Liaison/CVB/Marketing Committee is composed of CVB Liaisons and City staff. The CVB Board meets monthly, with the CVB Liaison in attendance, while the Beverly Hills City Council Liaison/CVB/Marketing Committee meets periodically throughout the year.

As part of our advisory services function, we provided City Management with an audit status update on June 11, 2020 and discussed key components of the CVB’s budget which are summarized below:

**Carryover Funds**

A $50,000 carryover from the CVB’s FY 2018-2019 budget was used to offset the cost of Beverly Hills Open Later Days (BOLD) Holidays 2019 decor and programming during FY 2019-2020. This action was authorized in the City Council regular meeting on August 20, 2019 and executed in Agreement No. 522-19 on September 17, 2019.

As per Exhibit A, Section 2(b) of the Agreement, “CVB shall return to CITY any unused funding within sixty (60) days of fiscal year reconciliation of the expenses described in Exhibit A, Attachment 1 unless the CVB obtains approval of the Beverly Hills City Council Liaison / CVB / Marketing Committee at an agendized meeting to carry the funds forward to FY 2019-2020 for an identified purpose.”

As per the CVB CEO, the CVB presents all estimated carryover amounts and proposed programming to Council at the time they make their program of work presentation. If the CVB finds after closing their books that the carryover amount is more than they presented to Council,

---

1 As per Section 3-1.303 of Article 3 of Chapter 1 of Title 3 of the Beverly Hills Municipal Code, “... each transient shall be subject to and shall pay a tax in the amount of fourteen percent (14%) of the rent charged by the operator.”

As per Section 11.2(b)(iv) of the Project Agreement between the City of Beverly Hills, the Parking Authority of the City of Beverly Hills, and Beverly Hills Luxury Hotel LLC, the Montage is charged a 5% municipal surcharge (not less than $455,000 annually). The Montage Beverly Hills was renamed as the Maybourne Beverly Hills in 2020. As per Section 10(d)(g) of the Development Agreement between the City of Beverly Hills and Oasis West Realty LLC, the Waldorf Astoria is charged a 5% municipal surcharge on gross room revenue.
they meet with Council Liaisons to receive approval of usage and programming for the additional funds. If the amount is less, the CVB notifies their staff liaison.

**Fiscal Year 2018-2019 Work Plan**

The CVB provides marketing and special events for the benefit of the City as governed by the Agreement. Key components of the service agreement between the City and the CVB include the Scope of Work, Time of Performance, Compensation, Insurance, Termination, Records and Inspections, Reports, and Services.

As shown in **Exhibit 1**, the City provided funding to the CVB for 9 programming activities and 2 operating activities that occurred during the period of July 17, 2018 through June 30, 2019 for promotion of the City. The amount of $3,880,505 for the period of October 1, 2018 through June 30, 2019 was executed in Agreement Number 666-18 on October 16, 2018. Interim funding for July 1, 2018 through September 30, 2018 was provided under Agreement Number 355-18 executed on June 19, 2018 in the amount of $1,221,746\(^2\). The two Agreements provided the CVB with $5,102,251 in funding for FY 2018-2019.

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\(^2\) As per Page 10 of the Agreement. The Agreement references Agreement Number 331-18, however, the correct reference is Agreement Number 355-18, Amendment No. 3 to an Agreement Between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for Promotion of the City.
## Exhibit 1: Beverly Hills Conference and Visitors Bureau 2018-2019 Quarters 2-4 Funding

<table>
<thead>
<tr>
<th>Description</th>
<th>2018-2019 Qtr 2-4 Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local/Holiday</strong></td>
<td></td>
</tr>
<tr>
<td>Santa at the Paley</td>
<td>$ 10,000</td>
</tr>
<tr>
<td><strong>Events</strong></td>
<td></td>
</tr>
<tr>
<td>Chinese New Year</td>
<td>$ 147,856</td>
</tr>
<tr>
<td><strong>Domestic Marketing</strong></td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>$ 51,000</td>
</tr>
<tr>
<td>Destination Marketing</td>
<td>$ 384,148</td>
</tr>
<tr>
<td>Domestic PR</td>
<td>$ 122,981</td>
</tr>
<tr>
<td>Meetings, Incentives, Conferences, and Exhibitions (MICE) Marketing</td>
<td>$ 86,500</td>
</tr>
<tr>
<td>Partnership Marketing</td>
<td>$ 51,840</td>
</tr>
<tr>
<td>Secondary Market Sales Missions</td>
<td>$ 185,000</td>
</tr>
<tr>
<td><strong>International Marketing</strong></td>
<td></td>
</tr>
<tr>
<td>Sales Mission</td>
<td>$ 35,752</td>
</tr>
<tr>
<td>Trade Shows</td>
<td>$ 69,050</td>
</tr>
<tr>
<td>Public Relations</td>
<td>$ 15,645</td>
</tr>
<tr>
<td>In-Country Representation</td>
<td>$ 184,810</td>
</tr>
<tr>
<td>Tour Bus Incentive</td>
<td>$ 2,340</td>
</tr>
<tr>
<td>Global Summit</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>$ 112,000</td>
</tr>
<tr>
<td><strong>Interactive</strong></td>
<td></td>
</tr>
<tr>
<td>Database/eMail</td>
<td>$ 8,424</td>
</tr>
<tr>
<td>Search Engine Optimization (SEO) / Search Engine Marketing (SEM)</td>
<td>$ 99,137</td>
</tr>
<tr>
<td>Content</td>
<td>$ 55,356</td>
</tr>
<tr>
<td>International</td>
<td>$ 40,405</td>
</tr>
<tr>
<td>Social Acquisition</td>
<td>$ 30,744</td>
</tr>
<tr>
<td>eCommerce</td>
<td>$ 3,001</td>
</tr>
<tr>
<td>Domestic Site</td>
<td>$ 12,299</td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td></td>
</tr>
<tr>
<td>Visitor Guide</td>
<td>$ 20,000</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>$ 3,752</td>
</tr>
<tr>
<td>Premiums / Promotional Giveaway</td>
<td>$ 15,332</td>
</tr>
<tr>
<td><strong>Research</strong></td>
<td></td>
</tr>
<tr>
<td>Visa Vue</td>
<td>$ 7,438</td>
</tr>
<tr>
<td>Smith Travel</td>
<td>$ 6,750</td>
</tr>
<tr>
<td>Tracking (formerly Arrivalist)</td>
<td>$ -</td>
</tr>
<tr>
<td>Cision</td>
<td>$ 4,425</td>
</tr>
<tr>
<td>Master Plan</td>
<td>$ 12,500</td>
</tr>
<tr>
<td><strong>Special Programs</strong></td>
<td></td>
</tr>
<tr>
<td>Ad Hoc Requests - Unanticipated Requests from City for Programming</td>
<td>$ 37,500</td>
</tr>
<tr>
<td><strong>Businesses Open Later Days (BOLD) Winter</strong></td>
<td></td>
</tr>
<tr>
<td>Installation</td>
<td>$ 207,000</td>
</tr>
<tr>
<td>Programming</td>
<td>$ 65,000</td>
</tr>
<tr>
<td>Marketing</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Activities</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Storage</td>
<td>$ 45,000</td>
</tr>
<tr>
<td>Description</td>
<td>2018-2019 Qtr 2-4 Funding</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Additional BOLD Holidays Marketing</td>
<td>$</td>
</tr>
<tr>
<td>$12,000 for Print &amp; Digital Advertisements Targeted to Local Audiences</td>
<td>$28,000</td>
</tr>
<tr>
<td>$15,000 for Public Radio Promotion</td>
<td>$</td>
</tr>
<tr>
<td>$1,000 for Parking Garage Posters and Signs</td>
<td>$</td>
</tr>
<tr>
<td>Alexa Meade Pop Up Experience</td>
<td>$200,000</td>
</tr>
<tr>
<td>$120,000 for the Artist, Alexa Meade</td>
<td>$</td>
</tr>
<tr>
<td>$20,000 for Props</td>
<td>$</td>
</tr>
<tr>
<td>$10,000 for a docent and/or assistant to curate the experience when the artists cannot be present</td>
<td>$200,000</td>
</tr>
<tr>
<td>$10,000 for models to be painted and present at the pop-up experience</td>
<td>$</td>
</tr>
<tr>
<td>$20,000 for rental of the space on Two Rodeo Drive</td>
<td>$</td>
</tr>
<tr>
<td>$20,000 Miscellaneous Costs for venue such as lighting, music, video welcome by Alexa Meade, signage, venue infrastructure, etc.</td>
<td>$</td>
</tr>
<tr>
<td>Beverly Cañon Gardens Park Holidays Décor and Installation</td>
<td>$3,416</td>
</tr>
<tr>
<td>Re-installation of the BOLD Sign and Four (4) Lotus Flowers in Beverly Gardens Park</td>
<td>$13,000</td>
</tr>
<tr>
<td><strong>Visitor Services</strong></td>
<td>$</td>
</tr>
<tr>
<td>Communications</td>
<td>$9,000</td>
</tr>
<tr>
<td>Display</td>
<td>$25,000</td>
</tr>
<tr>
<td>Collateral</td>
<td>$25,000</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>$</td>
</tr>
<tr>
<td>Salaries</td>
<td>$701,779</td>
</tr>
<tr>
<td>Part Time</td>
<td>$25,934</td>
</tr>
<tr>
<td>Taxes</td>
<td>$79,738</td>
</tr>
<tr>
<td>Benefits</td>
<td>$137,946</td>
</tr>
<tr>
<td>Other</td>
<td>$283,707</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td>$3,880,505</td>
</tr>
</tbody>
</table>

Source: Office of the City Auditor (OCA) generated based on Exhibit B in Amendment No. 1 to the Agreement (Agreement No. 666-18).
Audit Results

Finding 1: The Beverly Hills Conference and Visitors Bureau Lacks Internal Guidance for Spending On and Evaluating the Effectiveness of Marketing-Related Expenditures

Government entities, including non-profit organizations that rely primarily on public funding, are held to a high standard in ensuring that public funds are used efficiently and effectively, and that the uses of such funds are transparent to the public. The Beverly Hills Conference and Visitors Bureau (CVB) is the City’s destination and marketing organization which relies on taxpayer monies to provide resources for visitors, members of the media, and travel trade. While performance measures used in quarterly reports as it relates to certain aspects of CVB performance are in alignment with industry standards, such as using click-through rates to analyze the effectiveness of digital advertising, the CVB lacks key performance metrics to evaluate the success of marketing events. During the audit period, FY 2018-2019, the CVB spent approximately $2.9 million on special targeted marketing events to promote the City to domestic and international visitors. However, an independent assessment of the merits of these programs was not possible because the CVB could not readily provide post-event metrics for all marketing campaigns.

Marketing Expenses Appear Excessive or Frivulous

In order to promote the City as a high-end travel destination, the CVB participates in travel trade shows and hosts targeted marketing events. We found that marketing expenses for CVB events appear excessive. Special events included receptions and private dinners with costs ranging from a few thousand dollars to over $60,000 per event.

Specifically, as shown in Exhibit 2, we found three instances where marketing expenditures appear excessive or frivolous as the return on investment to the City remains unclear.
### Exhibit 2: Beverly Hills Conference and Visitors Bureau (CVB) Marketing-Related Expenditures Appear Excessive

<table>
<thead>
<tr>
<th>Event</th>
<th>Event Description</th>
<th>Event Expenditures</th>
</tr>
</thead>
</table>
| **Private Dinner Held by Beverly Hills Hotel General Managers and the CVB³**<br>San Francisco, CA<br>June 13, 2019 | Purpose of the Event  
- Provide attendees with a “taste of Beverly Hills” and to show appreciation  
**Event Logistics**  
- Location: Quince Restaurant, a 3-star Michelin Restaurant  
- 126 Invitees; 60 Attendees  
- Guests were meeting planners and travel agents in the San Francisco area  
- Dinner paid by the CVB | • Total Dinner Cost: $64,857  
• Total per Guest: $1,081  
• Dinner Base Price per Guest: $575  
  - Included Passed Canapé, custom menu, and exclusive use of the space  
• Normal Cost of Tasting Menu per Guest: $298  
• See the Invoice in Exhibit 3 |
| **CVB Sales Mission Dinner**<br>New York City, NY<br>October 2019 | Purpose of the Event  
- Provide attendees with a “taste of Beverly Hills” and to show appreciation  
**Event Logistics**  
- Location: Le Bernardin, a 3-star Michelin Restaurant  
- 70 Top Travel Agents, Owners, and Top Beverly Hills Clients including SmartFlyer, ProTravel, and Ernst & Young | • Total Dinner Cost: $53,862  
• Total per Guest: $769 |
| **Worldwide Exhibition for Incentive Travel, Meetings and Events (IMEX) Conference**<br>Las Vegas, NV<br>October 2018 | Purpose of the IMEX Conference  
- Mission: To unite and advance the meetings industry  
- Conference attracts 13,000-plus exhibitors, buyers and key industry professionals from outside North America  
**CVB Involvement**  
- CVB hosted an exhibition booth  
- In partnership with Visit Santa Barbara, the CVB co-hosted a reception for 10 guests  
- Attendees were treated to salon services including makeup, hair blow outs, barber services, and chair massages | • Cost: $2,160 at the Canyon Ranch Spa, located at the Grand Canal Shoppes at the Venetian Resort  
  - $720 for two chair massages  
  - $1440 for salon services |

Source: OCA-generated based on documentation provided by CVB staff and the CVB’s accountant, Rahban CPA & Consulting, Inc.

³ Hotel participants included the Hilton, Montage, Beverly Wilshire, Luxe, and Peninsula hotels.
Exhibit 3 is a copy of the invoice from Quince restaurant which provides a detailed breakdown of costs for the June 13, 2019 marketing event co-hosted by the CVB and Beverly Hills hotel general managers.

Exhibit 3: Invoice for Private Dinner at Quince Restaurant for June 13, 2019 Event Held by the Beverly Hills CVB and Beverly Hills Hotel General Managers

<table>
<thead>
<tr>
<th>QUINCE PACIFIC AVENUE, LLC.</th>
<th>FINAL INVOICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBA QUINCE RESTAURANT</td>
<td></td>
</tr>
</tbody>
</table>

470 PACIFIC AVENUE
SAN FRANCISCO, CA 94133
PHONE 415-775-8500 | FAX 415-775-8501

TODAY’S DATE: 6.13.19
PREPARED FOR: Beverly Hills Conference & Visitors Bureau
ATTENTION: [Redacted]
EVENT DATE: 6.13.19
GUEST COUNT: 60

<table>
<thead>
<tr>
<th>BASE PRICE</th>
<th>Quantity</th>
<th>Amount</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes passed canape, custom menu and exclusive use of space</td>
<td>1</td>
<td>30000</td>
<td>30,000.00</td>
</tr>
<tr>
<td>Additional guests</td>
<td>10</td>
<td>450</td>
<td>4,500.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beverage</th>
<th>Quantity</th>
<th>Amount</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champagne upon arrival</td>
<td>13</td>
<td>135</td>
<td>1,755.00</td>
</tr>
<tr>
<td>Wine pairing</td>
<td>57</td>
<td>105</td>
<td>5,985.00</td>
</tr>
<tr>
<td>Glass Chardonnay</td>
<td>2</td>
<td>34</td>
<td>68.00</td>
</tr>
<tr>
<td>Glass Barbaresco</td>
<td>1</td>
<td>27</td>
<td>27.00</td>
</tr>
<tr>
<td>Food and beverage total</td>
<td></td>
<td></td>
<td>42,335.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Related Expenses</th>
<th>Quantity</th>
<th>Amount</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set-up fee</td>
<td>1</td>
<td>750</td>
<td>750.00</td>
</tr>
<tr>
<td>A/V equipment</td>
<td>1</td>
<td>840</td>
<td>840.00</td>
</tr>
<tr>
<td>Floral arrangements</td>
<td>1</td>
<td>3000</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Valet</td>
<td>1</td>
<td>360</td>
<td>360.00</td>
</tr>
<tr>
<td>Other related expenses total</td>
<td></td>
<td></td>
<td>4,950.00</td>
</tr>
</tbody>
</table>

| Sub-Total                                          |          |        | 47,285.00 |
| Service charge - 22%                               |          |        | 10,402.70 |
| SF mandate surcharge - 5%                          |          |        | 2,116.75  |
| SF sales tax - 8.5%                                |          |        | 5,052.78  |
| Total                                              |          |        | 64,857.23 |
| Deposit Paid                                       |          | $64,395.62 |
| Balance Due                                        |          | $461.61 |

Source: Provided by CVB staff.
**Current Methods for Evaluating Marketing Events Do Not Adequately Assess Value and Effectiveness**

We recognize that receptions and events are common in the travel trade industry and their intended purpose is to promote the City of Beverly Hills. According to the CVB CEO, reception attendees are derived from hoteliers whom inform the CVB of their top clients. After marketing events, the CVB sends attendees a thank you email and semi-monthly emails of events happening in Beverly Hills. Hoteliers provide the CVB with feedback on the event and may call the CVB when potential business opportunities arise.

There is no internal guidance for marketing event expenditures, such as meal and beverage parameters for marketing dinners. Additionally, there are no key performance measures used to indicate the City’s ROI for each event. We should note that the CVB CEO believes that their existing metrics are reasonable and the Board is involved in the decision-making process. Nonetheless, the CVB was unable to provide ancillary information that showed potential revenues from sales leads or increased tourism resulting from these specific expenditures in Beverly Hills. Notably, the CVB does not utilize standardized post-event metrics to evaluate the success of various marketing events. As a result, the CVB cannot determine whether it should:

- Expand or reduce the number of events;
- Increase or decrease the spending per event; or
- Spend money on other marketing initiatives which generate a greater ROI to the City.

**Recommendation 1**

We recommend that the City of Beverly Hills require the Beverly Hills Conference and Visitors Bureau to:

- In conjunction with its Board, establish meal and beverage guidelines for sales mission dinners; and
- Establish metrics to determine the ROI generated by each marketing event.

**Finding 2: A Lack of Internal and City Oversight of CVB Financial Activities Present Risks for Wasteful Spending**

To ensure trust and confidence in spending of taxpayer monies, it is imperative that persons entrusted with public funds: 1) exercise proper stewardship of those funds; and 2) expend monies in accordance with applicable laws and regulations and internal policies. To that end, the CVB should maximize the TOT revenue it receives and ensure that its spending is proper in both practice and in appearance.

**CVB Travel Expenditures Could Be Characterized as Excessive and Personal in Nature**

During our audit scope of FY 2018-2019, we reviewed expenditures by the CVB CEO that could be characterized as excessive and personal. Specifically, as shown in Exhibit 4, we questioned the utility of ground transportation expenses and a personal tour of a foreign country during a business trip.
## Exhibit 4: Beverly Hills Conference and Visitors Bureau (CVB) CEO Expenditures that Could Be Characterized as Excessive and Personal In Nature

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Description</th>
<th>Characterization as Excessive and Personal</th>
</tr>
</thead>
</table>
| **Ground Transportation**             | • CVB CEO used chauffeured car services – Limolink and Avalon Transportation – for transportation to and from local airports (LAX and Burbank airports)  
• Second CVB staff person used Avalon Transportation from home to LAX | CVB CEO:  
• 10 occasions of using chauffeured car services for transportation from her home to LAX or Burbank airports.  
• Total Cost: $1,555  
• Costs of Rides:  
  o Average Cost Per Mile: $8.45/mile  
  o 355% Higher than Using Rideshare Services  
  o 171% Higher than Using Taxis  
Second CVB Employee:  
• Two occasions of using chauffeured car services for transportation from her home to LAX.  
• Total Cost: $266  
• Cost of Rides:  
  o Average Cost Per Mile: $10.25/mile  
  o 433% Higher than Using Rideshare Services  
  o 255% Higher than Using Taxis |
| **Personal Sightseeing Tour of Oman** | • Location: Middle East  
• Time Period: April 2019  
• CVB CEO went on a personal weekend tour of Oman | • Total Cost: $1,210 paid via the CVB credit card  
• CEO asserts that the cost of her personal tour was accidentally invoiced to the CVB by the travel agent instead of being charged to her personal credit card  
• CEO did not fully reimburse the CVB until September 2020 when brought to her attention by Office of the City Auditor during audit review |

Source: OCA-generated based on documentation provided by CVB staff.

### The CVB CEO and Select CVB Staff Used Chauffeured Cars Services Rather Than More Cost-Effective Ground Transportation Options

In regards to the ground transportation expenses summarized in Exhibit 4, the CEO indicated that she used the chauffeured car services due to a medical condition which requires her to receive assistance with her luggage when traveling. To that end, we do not know if the second CVB employee who used chauffeured car services for travel from her home to local airports had a medical condition as well.
The CVB’s 2019 Finance Policy & Procedures, Section Car Services/Taxis, states:

“If it is not feasible or cost effective to use a rental car or the employee’s own vehicle the employee may take a cab or public transportation to arrive at the business destination. Car services, including Uber, may only be used with prior approval of the CEO. With the exception of Uber for which we have a company account, expenses for these services are to be paid by the employee and then reimbursed upon return to the office. The employee must complete an expense report, attached receipts, obtain approval from the CEO and then present to the Controller.”

For comparison, the City’s travel policy states that the City will reimburse the employee for the cost of taxi rides or shuttle service to the airport – and we note the specificity of the use of the terms taxis and shuttle services. Also, a similar tourism bureau – Visit Santa Barbara – has a travel policy that states, “airport limousines should be used to and from airports when possible, practical, and cost-efficient. Taxis may be used when appropriate.”

We provide these various examples to acknowledge that transportation policies can vary by entity. However, our review of the CVB finance policy reveals potential internal control weaknesses that could lead to wasteful spending. Moreover, although the CVB’s Finance Policy & Procedures allows the usage of car services only with the approval of the CVB CEO, it is possible for the CVB CEO to circumvent the policies regarding ground transportation and essentially approve more expensive transportation options for her own travel. For example, in our scope period, we found 26 instances of chauffeured car services used by CVB staff. Chauffeured car services were used by the CVB CEO in 20 (or 77 percent) of 26 instances.

The CVB Internal Controls on Expenditure Monitoring Failed to Detect a Personal Expense, Which Is Not Allowed Per CVB and City Travel Guidance

In April 2019, the CVB CEO attended two consecutive business trips in the Middle East. In between her two business trips, the CEO had a weekend layover in which she attended a personal sightseeing tour of various locations in Oman. The CVB’s travel agent booked the CEO’s ground transportation services for her business trips in the Middle East in addition to her personal excursion of Oman. He invoiced the CVB on April 9, 2019 a total of $2,674 for both services as shown in Exhibit 5. The sightseeing tour of Oman totaled $1,210 (labeled as “Tafp-Ticket Process Fee” in Exhibit 5) and ground transportation services for the CEO’s two business trips in the Middle East totaled $1,464 (labeled as “Arabian Adventures” in Exhibit 5).
Exhibit 5: Travelstore Invoice to CVB for CEO’s Personal Sightseeing Tour of Oman and Ground Transportation Services in the Middle East

Travel Store, Inc.

Sale Invoice No: 2310788
Date Issued: 4/9/2019
Agent: [Redacted]

<table>
<thead>
<tr>
<th>Traveler Type</th>
<th>Ticket/Conf No From</th>
<th>Department</th>
<th>Depart Date</th>
<th>Return Date</th>
<th>Remarks</th>
<th>Total Fare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing Fee</td>
<td>0765327407</td>
<td></td>
<td>4/9/2019</td>
<td></td>
<td>Taft-Ticket Process Fee</td>
<td>1,210.00</td>
</tr>
<tr>
<td>Tour</td>
<td>7704053805073</td>
<td>ARABIAN ADVENTURES</td>
<td>4/19/2019</td>
<td>4/23/2019</td>
<td></td>
<td>1,464.00</td>
</tr>
</tbody>
</table>

Payments Applied To This Invoice

<table>
<thead>
<tr>
<th>Method</th>
<th>Amount</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MC</td>
<td>-1,210.00</td>
<td>4/9/2019</td>
<td>Pymt For Inv #2310788</td>
</tr>
<tr>
<td>Other - wire</td>
<td>-1,464.00</td>
<td>4/9/2019</td>
<td></td>
</tr>
</tbody>
</table>

Invoice Total 2674.00
Payment Total 2674.00
Balance Due 0.00

Source: Provided by CVB staff.

As shown in Exhibit 6, the CEO’s personal tour of Oman was charged to the CVB credit card in April 2019. We should note that the CVB CEO assigns an account code for every transaction on the company credit card statement. The CEO coded her personal tour of Oman to account code “6046 India” as emphasized in a red box in Exhibit 6.
Exhibit 6: Charge for CEO’s Personal Tour of Oman as Shown on CVB Credit Card Statement for the Period of March 14, 2019 through April 13, 2019

04/11  04/09  AGENT FEE 89007653274072 TRAVEL STORE OR 89007653274072  1,210.00  336

Source: Provided by CVB staff.

Additionally, the CVB CEO and Treasurer are responsible for reviewing and approving all CVB credit card statements. The CEO’s approval of the credit card statement for the period of March 14, 2019 through April 13, 2019 is shown in Exhibit 7. By approving all of the transactions in this credit card statement, the CEO self-applied the charge for her personal tour.

Exhibit 7: CEO Approval of CVB Credit Card Statement for the Period of March 14, 2019 through April 13, 2019

From:  
Sent:  
To:  
Subject:  Re: Coded B of A Statement

Ah, yes. Approved.

Source: Provided by CVB staff.

In May 2019, the travel agent issued a $852.79 refund check for “Middle East Services” to the CVB. This refund only partially reimbursed the CVB the $1,210 cost of the CEO’s personal tour. It was not until September 2020 that the CEO fully reimbursed the CVB for the $357.21 remaining balance of her personal tour, when this issue was brought to her attention during the course of our review.

Independent of the circumstances that led to the CEO’s personal sightseeing tour of Oman being authorized by her, invoiced to and paid by the CVB, this event indicates that the CVB’s internal controls around expense monitoring failed to detect a personal charge that was not allowable per the CVB’s own travel policy. To that end, although this may appear as an isolated incident or as an incident of de minimis value, it is clear that the CVB needs to strengthen internal controls around expense monitoring to mitigate the risk of occurrences of larger financial magnitude going unnoticed.

As defined by the Committee of Sponsoring Organizations’ (COSO) Internal Control – Integrated Framework, entities establish internal control activities, such as the development of policies and procedures — inclusive of goals to monitor expenditures and ensure proper spending — to ensure the achievement of objectives. Control activities may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is also typically built into the selection and development of control activities.

The CEO’s personal expenses associated with her business trip to the Middle East appear to be in conflict with the CVB’s service agreement with the City and the CVB’s internal travel policy.
Reasonable and informed third parties would most likely conclude that guided excursions of foreign destinations do not promote the City to domestic and international consumers and trade. The service agreement between the City and the CVB establishes general requirements for expenses. Section 3 Compensation part (b) specifies that reimbursements shall be for all “actual and necessary expenditures in the performance of this Agreement.” Further, Exhibit A Section 1 Fund Authorization/Use of Funds part (a) states that the “CVB shall provide the services (both personnel and deliverables) necessary to implement the marketing strategies and programs for the promotion of the CITY.” Attachment 1 to Exhibit A states that “Funding shall cover operating and marketing expenses . . . including, but not limited to:

- Salaries, taxes and benefits;
- Rent and utilities; and
- Marketing initiatives targeted to domestic and international consumers and trade.”

According to the CVB’s Travel & Entertainment Expense Policy, Section Travel, “all reimbursed travel expenses must be solely for business. CVB will NOT pay for any personal/leisure travel expenses.”

**Overall, A Lack of CVB Board and City Oversight Create an Environment of Limited Accountability of CVB Financial Activities**

The CEO’s personal charges went unnoticed because of the CVB Board’s limited review process and the City’s limited oversight role. The CVB Board is composed of 12 members from the local hospitality, business, and retail sector. We found that the CVB Board’s Treasurer is responsible for reviewing the CEO’s expenditures. Notably, the Treasurer verifies that there is enough money in the budget to pay for the various expenditures, but variances under $2,500 in the budget-to-actual review are not followed up on. Additionally, the Treasurer does not typically ask for additional detailed supporting documentation to verify that transactions have a valid business purpose.

Moreover, the City currently has a limited role in overseeing the CVB’s expenses and program accomplishments. The City’s primary oversight function is through the Beverly Hills City Council Liaison/CVB/Marketing Committee, which approves the organization’s annual budget and program activities. In addition, the City Manager assigns a Program Manager to serve as a liaison between the City and CVB.

The Agreement between the City and CVB does not include policies and procedures regarding the periodic review by the City of CVB expenditures. The CVB should provide sufficient and relevant information for the City to make a determination as to whether TOT revenues were expended for authorized uses. Information for expenditures should include the transaction date, vendor name, memo or description of the transaction, account code, account name, and transaction amount. The CVB should retain supporting documentation internally for all expenditures.

As defined by the Committee of Sponsoring Organizations’ (COSO) *Internal Control – Integrated Framework*, the board of directors and senior management establish the tone at the top regarding the importance of internal controls, expectations regarding standards of conduct, and its governance oversight responsibilities.
According to the CVB’s bylaws, the Board of Directors shall contain one seat to be held by the City Manager of Beverly Hills (or a senior level employee of the City of Beverly Hills, as reasonably designated by the City Manager and approved by the Board of Directors). Such seat shall be an “ex officio” and shall be non-voting in any affairs of the corporation. The bylaws also prohibit the City from appointing any member of the Board of the Directors; however, the City Manager and members of the Beverly Hills City Council are permitted to be present at any meeting of the Board of Directors, except when elections are taking place. To enhance oversight of this organization, the City Council needs to be aware of CVB board meetings and be notified of the information to be discussed at meetings. With such information, City Council members could then decide who should attend the meeting.

When expenditures that do not comply with board approved polices and agreements are made, the organization cannot ensure that all spending was appropriate and used to further the organization’s mission. In this situation, the City cannot be assured that all taxpayer monies were spent to promote the City. Even though the spending in question is less than $10,000 (less than one percent the CVB’s total annual budget), the personal nature of several expenditures is troubling and could potentially harm the organization’s reputation. The City’s failure to review CVB expenditures on a periodic basis may result in misuse of public funds and loss of public trust and reputation for the City and CVB.

**Recommendation 2**

We recommend that the City require the CVB to update the ground transportation section in the Finance Policies & Procedures by adding a cost-effectiveness component for ground transportation and prohibiting the use of chauffeured car services for domestic travel.

**Recommendation 3**

We recommend the City require that all expenditures by the CVB CEO be subject to dual approval, and should only be approved if the expenditure has a valid business purpose supported by appropriate and complete documentation.

**Recommendation 4**

We recommend the City incorporate into the service agreement greater oversight of the CVB’s expenditures by requiring the CVB to submit detailed monthly spending reports to the City (Policy and Management/Finance). Reports should include the transaction date, vendor name, memo or description of the transaction, account code, account name, and transaction amount for all transactions during the reporting period.

**Recommendation 5**

We recommend the City require the CVB to notify the City Council of all board meetings and provide agendas with corresponding supporting documentation. The City Council should consider designating a member to attend CVB Board meetings.
Finding 3: Business Travel Expenses Appear Excessive

A key part of the CVB’s business involves sales missions to other destinations within the United States and internationally in order to promote tourism to the City of Beverly Hills. Hence, CVB employees travel throughout the year and incur travel expenses for lodging, meals, and incidentals. It is imperative that the CVB establish guidelines to help determine whether travel expenses are valid and reasonable in price.

Business Travel Expenses at Luxury Hotels Appear Excessive

In our review of 28 travel expenses, we noted eight stays at luxury hotels (six for the CVB CEO and two for CVB staff) that included meals totaling $622, hotel incidentals such as laundry, valet, and room service totaling $96, and business entertainment expenses totaling $307. These expenses were either submitted for reimbursement or paid using the CVB credit card. These expenses are summarized in Exhibit 8 below.

Exhibit 8: Business Travel Expenses Including Meals, Hotel Incidentals and Business Entertainment at Luxury Hotels

These travel expenses went undetected because the CVB does not have guidelines establishing spending limits for travel expenses including lodging, meals, hotel incidentals and business entertainment. We also did not note comprehensive guidance on per diem\(^4\) for business travel in the CVB’s Finance Policies and Procedures or the Employee Handbook.

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\(^4\) Per diem is the federal allowance for lodging (excluding taxes), meals and incidental expenses.
The CVB CEO stated that the company credit card is used for her travel expenses and any travel expenses of staff that are traveling with her. Employees traveling on their own use their personal credit card for travel expenses and are subsequently reimbursed.

The City of Beverly Hills Travel and Meeting Expense Policy, Section III.B.5, states that “For each travel day requiring overnight stay, the City will reimburse the employee a daily per-diem based on the current IRS M&IE (Meals, Incidental & Entertainment) per-diem rate for the respective county of the travel destination … Reimbursement will not be made for items identified as being covered by the per-diem allowance. Per-diem expenses include, but are not limited to, the following items:

i. Meals/Food
ii. Tips and gratuities for meals.
iii. Any incidental personal expenses.”

The General Services Administration (GSA) establishes per diem rates for destinations within the Continental United States (48 contiguous states) and the District of Columbia for federal employees. Many state and local governments follow federal travel guidance for employee travel. We recognize that the CVB is a separate organization from the City of Beverly Hills and is not bound by such guidance. However, as the City provides the CVB with funding for its budget based on TOT revenues, which are public funds, the CVB should establish a process, appropriate and relevant to the tourism marketing industry, to ensure that travel expenses are reasonable.

For example, CVB staff can provide three quotes for various hotels in the destination they are traveling to and provide an explanation as to why they decided to stay at a particular hotel (such as being based on lowest price, convenience due to a business conference being held at that hotel, etc.). Generally, we found that CVB staff submitted travel expenses for reimbursement that were in line with GSA per diem rates. However, we noted that the CVB CEO incurred higher travel expenses compared to her staff which may be because she controls the sole company credit card and self-approves her own expenses.

Moreover, the City’s travel policy prohibits the use of the City credit card for personal expenses. Examples of personal expenses include phone calls, minibar, room service, spa/gym, salon services, movies, etc. Although the CVB is not bound by the City’s travel policy, CVB staff should follow the City’s rules prohibiting reimbursement for personal expenses as the CVB budget is comprised of public funds provided by the City.

Not having guidelines over travel expenses increases the risk of staff misappropriating public funds. Guidelines should include dual approval of the CEO’s travel expenses, review of hotel and ground transportation expenses for reasonableness, and complete and detailed supporting documentation to help mitigate the risk that public funds will be misappropriated or misused on personal expenses or excessive purchases.

5 The U.S. Department of State establishes rates for travel to foreign countries.
**Recommendation 6**

We recommend that the City disallow CVB staff from receiving reimbursement for personal expenses during business travel. Additionally, we recommend that the City direct the CVB to follow the City’s Travel and Meeting Expense Policy which establishes a uniform policy and procedures for reimbursing City employees for travel, meeting, and out-of-pocket expenses incurred while on official business.

**Finding 4: The CVB Needs More Robust Processes for Selecting, Approving and Authorizing Payments to Vendors**

Companies may use vendors to save money on projects and business functions. Because vendors are often more experienced in a specific area, they achieve greater cost-efficiency when performing tasks related to their areas of expertise. Vendors are typically used to provide supplies and equipment, professional services requiring a specialized skill or expertise, or general services such as labor.

**One Vendor Was Paid Over $450,000 for Travel Bookings from 2014 to 2019 Without Adequate Documentation to Support Expenditures**

As part of our review of travel expenses, we found that the CVB utilized an external travel agency, Travelstore, to book over $450,000 in travel accommodations between 2014 and 2019 without City-approval or a Request for Proposal (RFP). Exhibit 9 highlights the annual amount spent with Travelstore from 2014 to 2019. As shown in the exhibit, the CVB’s travel expenses averaged $76,000 annually, and exceeded $100,000 in 2017. It should be noted that it is an industry standard for travel agents to receive a sales commission for booking travel accommodations on behalf of their clients. Under this structure, the travel agent is incentivized to book higher-priced travel for the CVB, which increases the risk that the CVB is not receiving the best pricing possible on travel costs. Due to the lack of an RFP or approval by the City to use this vendor, the City was unaware that the CVB was using a third-party vendor to book travel on their behalf.

**Exhibit 9: Annual Spend with Travelstore from 2014 to 2019**

Source: OCA-generated based on transaction report from the CVB’s accounting system.
We also reviewed a sample of 28 travel expenses totaling $91,432 for reasonableness. Travel expenses included airfare, lodging, ground transportation, and meals. We found that the CVB did not maintain adequate documentation to support invoices totaling $70,250 (77% of our sample) paid to Travelstore. For example, the CVB paid Travelstore for invoices that contained simple descriptions such as “Airfare for China” or “Land Services.” The CVB did not maintain copies of the corresponding travel itineraries to support the invoices from Travelstore. **Exhibit 10** shows that out of our sample of 28 travel expenses totaling $91,432, $70,250 (77% of the sample) was paid to Travelstore, while $21,182 (23% of the sample) were payments to other vendors.

**Exhibit 10: Sample of 28 Travel Expenses by Vendor**

![Pie chart showing $70,250 for Travelstore (77%) and $21,182 for Other Vendors (23%)]

Source: OCA-generated based on information from the CVB’s accounting system.

**CVB’s Purchasing Approval Levels and Bid Requirements for Awarding Contracts Do Not Align with the City Guidance**

The CVB’s purchasing approval levels and bid requirements for procurement of supplies, equipment, and non-professional services do not align with the City’s purchasing approval levels and bid requirements. Specifically, the Agreement does not mandate a specific procurement process for the CVB to follow. The CVB’s Finance Policies and Procedures do not include guidelines for selecting, approving or authorizing payments to vendors. As per the CVB CEO, the CVB’s procurement process is not written in a formal policy but is more so an unspoken operating procedure.

As per Section 1 of the Agreement, changes in the scope of work by the CVB must follow the approval levels below:

- Changes under $25,000 may be done without the approval of the City; however, CVB shall notify the City Manager and CITY’s City Manager’s designee (CVB Staff Liaison).
For reallocations between $25,001 - $50,000, CVB must obtain written approval from the City Manager with a copy of the request sent to the Beverly Hills City Council Liaison / CVB / Marketing Committee and the City Manager’s designee.

For reallocations above $50,000, CVB must obtain approval from the Beverly Hills City Council Liaison / CVB / Marketing Committee at an agendized meeting prior to the expenditure occurring.

However, the conditions for approval, purchasing approval levels and bid requirements for all procurement of supplies and equipment, and non-professional services in the City’s Purchasing Manual are more stringent. Specifically:

- **LEVEL 1** – Purchases up to $7,500.00 require approval by Department Head (DH). Level 1 purchases and contracts do not require a bid.

- **LEVEL 2** – Purchases from $7,500.01 to $25,000.00 require approval by DH and Director of Finance. Level 2 purchases and contracts require an informal, oral bid process from at least three (3) sources. Upon determining conformance with the bidding procedures set forth in the purchasing provisions of the Code would be contrary to the best interests of the City or that compliance with the bidding procedures would be impractical, the Director of Finance may waive, in writing, any or all of the bidding requirements for these purchases.

The City’s Purchasing Manual provides policies and procedures regarding the specification, selection and solicitation of sources, preparation and award of contracts, and administration of contracts. As the CVB CEO is similar in status to a City Department Head, her purchasing approval levels should follow the policies and procedures established in the City’s Purchasing Manual.

City departments are bound by the rules listed in the Purchasing Manual, and their purchases are ultimately reviewed by Finance, which enables greater oversight over the purchasing process. However, the CVB is separate from the City and thus Finance does not have oversight over any of their purchases. This makes it even more imperative that the CVB has tighter controls over their procurement process including the need for complete and detailed supporting documentation for all transactions.

As such, receipts for all expenses incurred during travel, including copies of airline tickets, should be retained by the CVB and submitted as supporting documentation for employee expense reports. Receipts substantiate that the employee attended the trip and that the expenses have a valid business purpose. Employees should not be reimbursed for travel expenses if they do not submit adequate supporting documentation to substantiate the expenses.

### The CVB’s Finance Policy Does Not Require Appropriate Supporting Documentation for Invoices

The CVB’s 2019 Finance Policies and Procedures, Section *Invoice Approval*, states “Invoices below $10,000 can be approved solely by the Chief Executive Officer and do not require
additional Board approvals or service agreement contracts. All invoices above $10,000 shall require pre-approval by the Treasurer who signs off on the final invoices."

Hence, the CVB CEO can provide sole approval as long as an invoice is under $10,000. The CVB has no policies in place which require complete and detailed supporting documentation prior to an invoice being paid. Additionally, the Agreement allows the CVB CEO to make changes under $25,000 to the Scope of Work without the approval of the City; however, the CVB must notify the City Manager and the City Manager’s designee (CVB Staff Liaison) of these purchases. Nonetheless, based on our discussions with the CVB CEO, she only notifies the City of changes in the scope of work at the end of the fiscal year, rather than when a change is made during the year. Therefore, the City may not be made aware of changes to the Scope of Work by the CVB in a timely manner.

Failure to Establish a Comprehensive Procurement Policy Prevents the CVB from Choosing Reputable Vendors That Can Deliver the Best Pricing on Goods and Services

The CVB’s failure to develop comprehensive and efficient procurement policies and procedures precludes the CVB from choosing the most reputable vendor that can deliver goods or services at the best price.

Recommendation 7

We recommend the City direct the CVB to include complete and detailed supporting documentation (e.g., flight itineraries, hotel folios, etc.) for all travel expenses prior to payment approval. Additionally, the CVB should retain internally detailed supporting documentation for all travel expenses.

Recommendation 8

We recommend the City require the CVB to follow the City’s procurement policy when purchasing supplies, equipment and services over $7,500, including purchasing from vendors who have been assigned a vendor number by the City.

Finding 5: CVB Account Codes Did Not Always Tie to Corresponding Budget Line Items and Were Not Always Inclusive of All Expenses

Account codes help classify financial activities and balances by category within the accounting records. During the course of our review, we found that account codes did not always tie to the corresponding budget line item. Hence, the CVB’s accounting records do not capture the true cost of budget line items such as sales missions.

Financial System Account Codes Did Not Tie to Corresponding Budget Line Items

The CVB’s annual budget is approved by the City Council at the start of each new fiscal year. Prior to City Council approval, the proposed CVB budget is presented to the City Council Liaison/CVB/Marketing Committee. After approval, projects within the CVB budget are assigned internal codes by the CVB CEO. For example, in our sample, the code 6041 referred to Sales
Missions and 6042 referred to Trade Shows. After the CVB CEO assigns the account code to all transactions, the external accountant enters the transaction data into the financial system.

Based on our review of FY 2018-2019 CVB expenditures, we found that financial system account codes did not always tie to corresponding budget line items. Specifically, we observed that account code 6046 is used for International Marketing and Tourism activities. Trips under this code are usually identified by the location. For example, trips to India would be coded as 6046-India and trips to Russia would be coded as 6046-Russia. However, in our sample of 28 travel expenses, we found the 6046 codes for India and Russia used for the CVB CEO’s April 2019 trip to the Middle East. Notably, we found:

- $6,752.87 was coded to account code 6046-India; and
- $560.82 was coded to account code 6046-Russia.

To that end, the true cost of the CVB CEO’s trip to the Middle East was not captured because several trip expenses were coded to the Russia and India sales missions which had been canceled in the middle of the fiscal year.

**CVB CEO Can Transfer Money Between Funds Without City Approval**

According to the CVB CEO, both the India and Russia sales missions were originally scheduled to take place in FY 2018-2019 but were subsequently canceled. The CVB CEO then applied funds originally allocated for these sales missions towards her trip to the Middle East.

The annual budget, including prospective sales missions, is based on market conditions at the beginning of the new fiscal year. As per the agreement, the CVB CEO may change the destinations visited for sales missions without City approval as long as the change is under $25,000. Hence, the City may not be notified in a timely manner if sales missions are canceled and new locations are selected for travel.

**The CVB Should Implement Stricter Internal Controls Regarding the Account Coding of Transactions**

Currently, the CVB CEO is making transactions, determining the account code for each transaction, and approving her own transactions. The external accountant only enters transactions into the accounting records after the CVB CEO conducts the aforementioned activities. Internal control guidance suggests segregation of duties to separate three phases of a transaction – authorization, custody, and record keeping. Ideally, different employees are responsible for each phase. If an employee’s responsibilities encompass two or more phases of a transaction, the employee has the opportunity to divert company assets for personal gain, which increases the risk of fraud. Going forward, in alignment with internal control guidance, the CVB should implement a process where the employee that made the purchase does not code the transaction. Additionally, there should be dual approval for all transactions made by the CVB CEO. Transaction approvers should:

1) Review the account code assigned to the transaction for accuracy; and
2) Review all supporting documentation for the transaction to verify that the transaction has a valid business purpose.
Misclassified Account Codes Result in Inaccurate Accounting Records

Misclassifying transaction account codes increases the risk of misappropriation of public funds if personal expenses are coded as valid business expenses. The integrity of the accounting records is only as good as the information that is entered. Each expense in the accounting system should be entered in the correct dollar amount, charged to the appropriate account, and assigned to the correct account code.

Recommendation 9

We recommend the City direct the CVB to use account codes which tie to the corresponding budget line item. An employee other than the employee who made the transaction should assign an account code to the transaction. Additionally, we recommend that the CVB immediately notify the City if sales missions are canceled or added during the fiscal year.

Recommendation 10

We recommend the City include in the Agreement a requirement that the CVB only adjust the budget or transfer funds from one budget line item (including categories and subcategories) to another after receiving City approval. Additionally, the CVB should provide the City with justification and supporting documentation for all proposed budget adjustments and transfers.
Conclusion

The CVB plays an important role in promoting the City of Beverly Hills to visitors, media, and the travel trade industry. Public funds in the form of Transient Occupancy Tax monies are used to primarily fund the CVB’s activities. It is imperative that those entrusted with safeguarding taxpayer monies spend wisely and not wastefully. To that end, the CVB has taken recent steps to strengthen its financial practices, but additional internal controls are needed to reduce the risk of improper spending. Enhanced post-event metrics are also needed in order to know the true impact of the CVB’s targeted marketing events to promote the City to domestic and international visitors. By doing so, the City Council can be assured that all CVB spending is appropriate and designed to maximize the promotion of the City of Beverly Hills.
Recommendations

Recommendation 1

We recommend that the City of Beverly Hills require the Beverly Hills Conference and Visitors Bureau to:

a. In conjunction with its Board, establish meal and beverage guidelines for sales mission dinners; and
b. Establish metrics to determine the ROI generated by each marketing event.

Recommendation 2

We recommend that the City require the CVB to update the ground transportation section in the Finance Policies & Procedures by adding a cost-effectiveness component for ground transportation and prohibiting the use of chauffeured car services for domestic travel.

Recommendation 3

We recommend the City require that all expenditures by the CVB CEO be subject to dual approval, and should only be approved if the expenditure has a valid business purpose supported by appropriate and complete documentation.

Recommendation 4

We recommend the City incorporate into the service agreement greater oversight of the CVB’s expenditures by requiring the CVB to submit detailed monthly spending reports to the City (Policy and Management/Finance). Reports should include the transaction date, vendor name, memo or description of the transaction, account code, account name, and transaction amount for all transactions during the reporting period.

Recommendation 5

We recommend the City require the CVB to notify the City Council of all board meetings and provide agendas with corresponding supporting documentation. The City Council should consider designating a member to attend CVB Board meetings.

Recommendation 6

We recommend that the City disallow CVB staff from receiving reimbursement for personal expenses during business travel. Additionally, we recommend that the City direct the CVB to follow the City’s Travel and Meeting Expense Policy which establishes a uniform policy and procedures for reimbursing City employees for travel, meeting, and out-of-pocket expenses incurred while on official business.

Recommendation 7

We recommend the City direct the CVB to include complete and detailed supporting documentation (e.g., flight itineraries, hotel folios, etc.) for all travel expenses prior to payment approval. Additionally, the CVB should retain internally detailed supporting documentation for all travel expenses.
**Recommendation 8**

We recommend the City require the CVB to follow the City’s procurement policy when purchasing supplies, equipment and services over $7,500, including purchasing from vendors who have been assigned a vendor number by the City.

**Recommendation 9**

We recommend the City direct the CVB to use account codes which tie to the corresponding budget line item. An employee other than the employee who made the transaction should assign an account code to the transaction. Additionally, we recommend that the CVB immediately notify the City if sales missions are canceled or added during the fiscal year.

**Recommendation 10**

We recommend the City include in the Agreement a requirement that the CVB only adjust the budget or transfer funds from one budget line item (including categories and subcategories) to another after receiving City approval. Additionally, the CVB should provide the City with justification and supporting documentation for all proposed budget adjustments and transfers.
Other Pertinent Information

In addition to the findings previously discussed in this report, we also wanted to highlight three additional issues regarding the CVB’s current ratio, reserve fund and buffer, and use of written agreements with vendors.

The CVB’s Current Ratio is Extremely High

The current ratio measures an organization’s ability to pay its short-term obligations or those due within one year. The current ratio is calculated by dividing current assets by current liabilities. Current assets are usually defined as assets that are cash or will be turned into cash in a year or less while current liabilities are liabilities that will be paid in a year or less.

CVB’s Current Ratio Can Pay Liabilities 17 Times Over

A high ratio (typically over 3) may suggest that an organization is not using its current assets efficiently. A ratio under one indicates that an organization’s current liabilities (debts due in a year or less) exceed its current assets (cash and short-term assets that are expected to be converted to cash within a year or less). This may suggest that the organization may be unable to pay off its current liabilities if they are immediately due.

The CVB’s current ratio as of June 30, 2020 was 17.20, which indicates that the CVB has enough liquid assets to pay its current liabilities over 17 times. As of June 30, 2020, the CVB’s current assets were approximately $4.4 million and its current liabilities were approximately $256,000.

The Agreement does not stipulate an appropriate target for the CVB’s current ratio. As a result, the CVB: 1) may not be using TOT funds efficiently; and 2) the City may provide the CVB with a larger budget than is necessary to perform the Scope of Work identified in the Agreement. Exhibit 11 below presents the CVB’s annual budget for FY 2017-2018 through FY 2019-2020. As noted, the CVB may move funds between various bank accounts without notifying the City leading to a greater risk of misappropriation of funds by the CVB.

Exhibit 11: CVB Budget from FY 2017-2018 to FY 2019-2020

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total CVB Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017-2018</td>
<td>$ 5,303,733</td>
</tr>
<tr>
<td>FY 2018-2019</td>
<td>$ 5,102,251</td>
</tr>
<tr>
<td>FY 2019-2020</td>
<td>$ 5,261,371</td>
</tr>
</tbody>
</table>

Source: OCA-generated based on information provided in prior City agreements with the CVB.

While we have no recommendations, it is imperative that the City monitor the CVB’s current ratio and establish an appropriate target in the Agreement between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for Promotion of the City.
The CVB Has a Reserve Fund Balance of Approximately $300,000 and a Buffer of $200,000

The CVB has a reserve fund with a balance over $300,000, which is a combination of a Certificate of Deposit (CD) and a separate brokerage account. As of June 30, 2020, the balance on the CD was approximately $259,000 and the balance of the brokerage account was approximately $64,000.

As per the CVB CEO, the reserve fund is considered an industry best practice and the initial CD balance was set aside when the CVB was first incorporated. The Agreement does not require the CVB to have a reserve fund.

We should note that the Federal Deposit Insurance Corporation (FDIC) typically insures CDs up to at least $250,000. The portion of the CVB’s CD balance over $250,000 (approximately $9,000 as of June 30, 2020) is not insured by the FDIC, increasing the account’s risk.

The CVB also maintains a $200,000 buffer which is separate and distinct from its reserve fund. In 2010, the City established a $200,000 buffer for the CVB’s budget so that if TOT revenues fell shorter than projected, the City would not have to tap into the General Fund. In FY 2019-2020, the City used the $200,000 buffer to offset the costs of Summer BOLD 2019. The City then requested the CVB to create its own $200,000 buffer account using carryover funds. The CVB did not utilize the buffer in FY 2019-2020 but proposed to use the buffer in FY 2020-2021 to offset work plan expenditures. The CVB will pull funds from its Tenant Improvements and Visitor Center - Sales Revenue accounts in order to maintain a $200,000 buffer.

While we have no recommendations, it is imperative that the City monitor the balances and planned usage of the CVB’s reserve fund and buffer.

The CVB’s Finance Policies and Procedures Limit the Use of Service Agreements with Vendors Based on a $10,000 Dollar Threshold

Written agreements are a best practice for organizations that have negotiated terms with vendors or consultants because they clearly document each party’s rights and obligations in case disagreements may arise.

In addition to not having written guidelines for selecting, approving or authorizing payments to vendors, the CVB limits the use of written agreements with vendors based on a $10,000 threshold. The CVB’s 2019 Finance Policies and Procedures, Service Agreement section, states, “A standard service Agreement shall be given to any vendor doing work for CVB where the project costs are $10,000 or more barring there is sufficient time to do so… If time is of the essence, then proper scope, terms, payment, etc. shall be outlined via email as proper backup and Chief Executive Officer will obtain Treasurer approval to move forward. This guidance is too lax as it allows exceptions to the use of service agreements with vendors based on a dollar threshold.
A Lack or Written Agreements Leaves the CVB and City with Limited Recourse if Vendors Do Not Perform

Failing to execute written agreements with vendors creates legal uncertainty, may increase the CVB’s financial risk, and may leave the CVB and City with limited recourse if vendors do not perform as agreed upon. Additionally, written agreements are considered a procurement best practice, encumber funds in the financial system, and help mitigate the risk of overspending the approved budget.

While we have no recommendations, it is imperative that the City direct the CVB to implement written agreements with all vendors providing goods or services with negotiated terms to the CVB regardless of the project’s dollar value.
Appendix I: Objectives, Scope and Methodology

In accordance with the City Auditor’s FY 2019 Audit Work Plan, we performed an audit of the Agreement Between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for Promotion of the City for Fiscal Year 2018-2019 (Agreement). Our audit objectives were to:

- Review reasonableness of performance measures used by the Conference and Visitors Bureau (CVB).
- Determine whether the Fiscal Year 2018-2019 budget and associated expenditures are reasonable and in compliance with the Agreement.

This audit was suspended in March 2020, due to the COVID-19 pandemic and the need for City management and all employees to shift efforts towards addressing the emergency. During this period, the CVB temporarily reduced operations and furloughed staff. We resumed our audit in June 2020.

To evaluate whether performance measures were reasonable, we interviewed CVB and Policy and Management staff regarding the scope of work described in the Agreement, researched guidance on Destination Marketing Organization (DMO) performance reporting, and reviewed performance measures documented in quarterly and internal tracking reports to the City.

To determine whether the Fiscal Year 2018-2019 budget and associated expenditures were reasonable and in compliance with the Agreement, we reviewed the CVB’s accounting records and reconciled supporting documentation to initiatives listed in the Agreement’s scope of work. Supporting documentation provided by the CVB included quarterly and audited annual financial reports to the City and presentations to the City Council Liaison / CVB / Marketing Committee.

We conducted this performance 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.
This memorandum provides the management response to the Audit of the Agreement between the City of Beverly Hills and the Beverly Hills CVB (the “Audit”) and reports Management’s considerations and plans with regard to the audit’s recommendations.

The Audit included a review of the Fiscal Year 2018-2019 Agreement between the City of Beverly Hills and the Beverly Hills CVB for promotion of the City.

The release of the Audit was originally scheduled for earlier in 2020. However, given the fiscal impacts on the tourism industry and the sudden reduction in CVB staff related as a result of the COVID-19 pandemic, and the need for City staff to focus on core functions during the COVID-19 pandemic early onset, the audit was placed on hold. The CVB continues to operate today at reduced staffing capacity and with a reduced budget in Fiscal Year 2020-2021 compared to previous years as the COVID-19 pandemic further impacts both domestic and international travel.

In summary, Management provides the following response to the findings as described in Attachment 1.

CC:    George Chavez, City Manager
       Nancy Hunt-Coffey, Assistant City Manager
       Gabriella Yap, Deputy City Manager
       Laurence Wiener, City Attorney
       Jeff Muir, Director of Finance
       Tatiana Szerwinski, Assistant Director of Finance
       Abbey Tenn, Principal Performance Auditor
       Shawnee Pickney, Principal Performance Auditor
       Evelin Garcia, Executive Assistant
       Julie Wagner, Conference and Visitors Bureau Chief Executive Officer
       Peter Humig, Conference and Visitors Bureau Board President
       Bill Wiley, Conference and Visitors Bureau Treasurer
       Eliot Finkel, Conference and Visitors Bureau Board Member
Attachment 1
<table>
<thead>
<tr>
<th>Finding from Auditor</th>
<th>#</th>
<th>Recommendation Language from Auditor</th>
<th>Management Response and Anticipated Completion Date</th>
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</table>
| **The Beverly Hills Conference and Visitors Bureau Lacks Internal Guidance for Spending On and Evaluating the Effectiveness of Marketing-Related Expenditures** | 1 | 1. We recommend that the City of Beverly Hills require the Beverly Hills Conference and Visitors Bureau to:  
   a. In conjunction with its Board, establish meal and beverage guidelines for sales mission dinners; and  
   b. Establish metrics to determine the ROI generated by each marketing event. | **Management Concurs**  
   Timeframe 6 – 12 Months  
   1. Management concurs with recommendation 1.  
   The CVB has already begun clarifying and updating policies outlined in the Audit. Agreed upon metrics will also be established and included in the upcoming Fiscal Year 2021-2022 agreement with the CVB. Sample metrics that determine ROI may be viewed in Attachment 2 as outlined by the Standard DMO (Destination Marketing Organization) Reporting guidelines. |
| **A Lack of Internal and City Oversight of CVB Financial Activities Present Risks for Wasteful Spending** | 2 | 2. We recommend that the City require the CVB to update the ground transportation section in the Finance Policies & Procedures by adding a cost-effectiveness component for ground transportation and prohibiting the use of chauffeured car services for domestic travel.  
   3. We recommend the City require that all expenditures by the CVB CEO be subject to dual approval, and should only be approved if the expenditure has a valid business purpose supported by appropriate and complete documentation.  
   4. We recommend the City incorporate into the service agreement greater oversight of the CVB’s expenditures by requiring the CVB to submit detailed monthly spending reports to the City (Policy and Management/Finance). Reports should include the transaction date, vendor name, memo or description of the transaction, account code, account name, and transaction amount for all transactions during the reporting period.  
   5. We recommend the City require the CVB to notify the City Council of all board meetings and provide agendas with corresponding supporting documentation. The City Council should consider designating a member to attend CVB Board meetings. | **Management Concurs in Part**  
   Timeframe 6 – 12 Months  
   2. Management concurs with Recommendation 2 in part agreeing with the recommendation of adding a cost effectiveness component for ground transportation; however, chauffeured car services may be appropriate for some sales missions when courting high end sales accounts or accommodations for medical reasons. The CVB has already begun clarifying and updating policies outlined in the Audit.  
   3. Management concurs with Recommendation 3 and will work with the CVB to ensure dual approvals are established.  
   4. Management concurs in part with Recommendation 4 agreeing that expenditure reports should be submitted for greater oversight; however, Management recommends quarterly rather than monthly to match the invoice cycle. This may be added into the Fiscal Year 2021-2022 agreement with the CVB.  
   5. Management concurs with Recommendation 5. The CVB currently notifies the City Manager’s designee of board meetings and agendas. This correspondence may then be shared by staff with the City Council to consider for attendance or designation of a member to attend CVB Board meetings. |
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<tr>
<td>Business Travel</td>
<td>3</td>
<td>6. We recommend that the City disallow CVB staff from receiving reimbursement for personal expenses during business travel. Additionally, we recommend that the City direct the CVB to follow the City’s Travel and Meeting Expense Policy which establishes a uniform policy and procedures for reimbursing City employees for travel, meeting, and out-of-pocket expenses incurred while on official business.</td>
<td>Management Concurs in Part</td>
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<td></td>
<td></td>
<td>Timeframe 6 – 12 Months</td>
<td></td>
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<td>6. Management concurs in part with Recommendation 6 agreeing to disallow CVB staff from receiving reimbursement for personal expenses during business travel; however, management does not agree that the City’s Travel and Meeting policy is the appropriate benchmark and instead a Destination Marketing Organization (DMO) industry standard policy should be used as the benchmark.</td>
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<td>7. We recommend the City direct the CVB to include complete and detailed supporting documentation (e.g., flight itineraries, hotel folios, etc.) for all travel expenses prior to payment approval. Additionally, the CVB should retain internally detailed supporting documentation for all travel expenses.</td>
<td>Management Concurs in Part</td>
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<td></td>
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<td>Timeframe 6 – 12 Months</td>
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<td>7. Management concurs with Recommendation 7 agreeing that detailed supporting documentation is submitted for all travel.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>8. Management concurs in part with Recommendation 8 with regard to establishing and adhering to a procurement and purchasing policy when purchasing supplies, equipment and services over $7,500; however management does not recommend requiring purchasing exclusively from vendors who have been assigned a vendor number from the City’s qualified vendor list, rather to do so when feasible.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>9. We recommend the City direct the CVB to use account codes which tie to the corresponding budget line item. An employee other than the employee who made the transaction should assign an account code to the transaction. Additionally, we recommend that the CVB immediately notify the City if sales missions are canceled or added during the fiscal year. 10. We recommend the City include in the Agreement a requirement that the CVB only adjust the budget or transfer funds from one budget line item (including categories and subcategories) to another after receiving City approval. Additionally, the CVB should provide the City with justification and supporting documentation for all proposed budget adjustments and transfers.</td>
<td>Management Concurs in Part</td>
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<td>Timeframe 6 – 12 Months</td>
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<td>9. Management concurs with Recommendation 9 and will work with the CVB to ensure implementation. 10. Management concurs in part with Recommendation 10 as there are already specific thresholds for transfer of funds between budgetary line items in the existing agreement. The current agreement requires the CVB to notify the City by the close of the fiscal year regarding any changes under $25,000. For reallocations between $25,001 - $50,000 the CVB must obtain written approval from the City Manager with a copy of the request to the City Council Liaisons prior to the reallocation. For reallocation above $50,000, the CVB must obtain approval from the City Council Liaisons at an agendized meeting prior to reallocation.</td>
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Management Response: Attachment 1  
12/29/2020  
Page 2 of 3
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<tr>
<th>Finding from Auditor</th>
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<th>Recommendation Language from Auditor</th>
<th>Management Response and Anticipated Completion Date</th>
</tr>
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</table>
| Current Ratio of Assets to Liabilities | N/A | While we have no recommendations, it is imperative that the City monitor the CVB’s current ratio and establish an appropriate target in the Agreement between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for Promotion of the City.                                                                 | Management Concurs  
Timeframe 6 – 12 Months  
Management concurs, will establish an appropriate target, and will include in the Fiscal Year 2021-2022 agreement with the CVB. |
| Reserve Fund and Buffer | N/A | While we have no recommendations, it is imperative that the City monitor the balances and planned usage of the CVB’s reserve fund and buffer.                                                                                                                                                                                                                           | Management Concurs  
Timeframe 6 – 12 Months  
Management concurs and will include in the Fiscal Year 2021-2022 agreement with the CVB to have them provide this information quarterly to the City. |
| Use of Written Agreements | N/A | While we have no recommendations, it is imperative that the City direct the CVB to implement written agreements with all vendors providing goods or services with negotiated terms to the CVB regardless of the project’s dollar value.                                                                                                                                                     | Management Concurs in Part  
Timeframe 6 – 12 Months  
Management concurs in part that written agreements should be established based on specific dollar thresholds with vendors as outlined in recommendation 8 above. |
Attachment 2
Standard DMO Performance Reporting
A Handbook for Destination Marketing Organizations (DMOs)
Standard DMO Performance Reporting

A Handbook for DMOs

In conjunction with: Updated May 2011

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Dear Industry Colleagues:

We are pleased to provide you with this updated edition of DMAI’s *Standard DMO Performance Reporting: A Handbook for DMOs.*

Performance reporting is crucial to communicating the role and relevancy of the DMO to its stakeholders. Effective reporting delivers not only a tremendous opportunity to tell a positive story, but also a key resource management tool for guiding sales and marketing decisions and staff development.

Originally released in 2005, the Handbook provides DMOs with benchmarks for evaluating and communicating their organization’s performance. Activity, performance, and productivity measures are covered in all key DMO functional areas. ROI formulas and definitions are also included.

The latest revision, overseen by DMAI’s DMO Performance Reporting Task Force, incorporates online marketing and social media elements which are now an integral part of a DMO’s destination promotion efforts, but were less common at the time of the Handbook’s original release.

Each DMO serves in a unique position with circumstances specific to its community. These measures are meant to be a guide and may not be applicable to every DMO, depending on its mission and charge. For instance, some benchmarks may be more useful to leisure-focused DMOs than to convention-centric DMOs, and vice versa. Additionally, if a municipality contracts with a DMO to report results based on a set of performance measures, those measures should be mutually agreed upon and consistent with the mission of the DMO.

In most cities, destination marketing involves a DMO acting as a steward of public funds, and requires fiduciary responsibility including consistent and transparent performance reporting. With the adoption of industry standards, DMOs have recognized benchmarks for assessing internal performance and identifying opportunities for success.

DMOs prepared to take performance reporting to the next level are encouraged to apply for accreditation through the Destination Marketing Accreditation Program (DMAP). DMAP is an independent international body defining quality and performance issues in destination marketing and recognizing DMOs that meet or exceed industry standards.

We encourage you to put these performance reporting guidelines to use in your DMO. Your commitment to transparency and accountability will speak to the credibility of your organization and to that of our entire industry.

Sincerely,

Michael D. Gehrisch
President & CEO
Destination Marketing Association International
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ACKNOWLEDGEMENTS

Standard DMO Performance Reporting: A Handbook for DMOs is published by the Destination Marketing Association International (DMAI), which advocates for the professionalism, effectiveness, and significance of destination management organizations worldwide.

DMAI’s Performance Reporting Initiative was funded by a generous grant from the Destination & Travel Foundation.

This Handbook was made possible by the leadership and work of the following individuals:

2010/2011 Performance Reporting Task Force

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Joe Lathrop, OCG International
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Denny Edwards, Ft. Lauderdale CVB
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Bill Geist, Zeitgeist Consulting
Steve Hayes, Tampa Bay CVB

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Joe Lathrop, Orlando Consulting Group
Don Martin, Louisville CVB
Ed McWilliams, D.K. Shifflet & Associates
Mike Mooney, Greater Phoenix CVB
Alastair Morrison, Purdue University
Marshall Murdaugh, Marshall Murdaugh Marketing
John Parke, Leadership Synergies
Caryn Rachke, Gwinnett CVB
Kelly Repass, Orlando CVB
Carey Rountree, Atlanta CVB
Bill Siegel, Longwoods International
Aurelia Walsh, Baltimore CVA

* PMT Summit sponsor

DMAI expresses its gratitude to Smith Travel Research and New York University, Preston Robert Tisch Center for Hospitality, Tourism and Sports Management for the initial survey and fieldwork which launched the DMO performance reporting initiative.

A special acknowledgment to DMAI staff, past and present, who played an instrumental role in the management of the project.

A very special thanks to Ruth Trojan of Nadler & Associates who was the overall ‘process driver’ for the DMO performance reporting initiative and authored this Handbook.
OVERVIEW

DMAI continues to build on its long-standing commitment to provide strategic and operational guidance to destination marketing organizations (DMOs). Through the development of standards, best practices and systematic approaches to organizational functions, DMOs are able to employ analytical tools to identify organizational strengths, weaknesses and opportunities.

In addition to internally reviewing their operations, DMOs are often required, due to their unique funding sources, to undergo external performance reviews by various stakeholders within their local communities. At times, these external audits/reviews may be done by firms lacking DMO knowledge and experience. In the past, the DMO community had no uniform approach to reporting performance to these audiences. As a result, DMOs would sometimes find themselves limited in their ability to systematically and credibly articulate their contribution to the destination. This Handbook will serve as a basis for standards and best practices among DMOs.

With the adoption of standard DMO performance reporting techniques, the DMO community has recognized benchmarks to utilize in order to assess its internal performance over time as well as provide meaningful comparisons to other DMOs. Most importantly, with ever-growing accountability scrutiny from its stakeholders, the utilization of industry standards re-enforces confidence in DMO operating and reporting practices.

In a perfect world, a DMO would know exactly how many of its destination’s visitors were motivated to come solely by the DMO’s efforts. And further, the DMO would be able to pinpoint exactly which of its sales and marketing effort(s) was responsible for that visitor.

However, the DMO and its local tourism industry do not function in a perfect world. And potential visitors are constantly bombarded by such a myriad of stimuli (the DMO, its industry partners, national sales offices, the news, and so on) that it becomes impossible to say that a visitor was motivated 100% by the DMO and ONLY by the DMO.

In practice, when addressing the issue of visitors generated, DMOs can, at the very least, set into place monitoring and research programs that identify visitors and visitor spending that were clearly and significantly generated by its efforts. The sections on the Marketing & Communications function, the Visitor Information Center and DMO Return on Investment expand on this issue. DMAI strongly encourages DMOs to take a conservative approach when determining the number of visitors generated by its efforts in order to ensure that its stated DMO Return on Investment is credible and can stand up to external scrutiny.

DMAI readily acknowledges that the quantitative measures presented in this Handbook are not the ‘end all and be all’ when assessing and reviewing a DMO’s performance internally and with stakeholders. It is expected that individual DMOs will need additional measures to fulfill the specific information needs of their stakeholders. Additionally, narrative reviews of key initiatives and programs must always accompany the performance reporting and are strongly recommended.

The DMAI’s Performance Reporting initiative is ongoing and this Handbook will be enhanced and expanded as the need arises and standards and best practices adopted.
BACKGROUND

DMAI’s Performance Reporting Initiative was launched in 2003. The Performance Management Team (PMT) began the process of standardizing DMO sales and marketing definitions, activity and performance measures, and productivity metrics including a Return on Investment model. Through a series of member surveys and brainstorming sessions at IACVB (the precursor of DMAI) events, the PMT amassed a tremendous amount of detailed information on current DMO performance measures and where DMOs were in developing a culture of accountability.

Focusing first on DMO convention sales efforts, the PMT drafted standard definitions, and activity and performance measures. Significant industry input was incorporated into recommendations that were circulated for industry comment in mid-2003. Much input was generated and a further revised, final draft of the standards was presented to and adopted by the IACVB Board of Directors in October 2003.

The PMT then turned its attention to DMO leisure sales and marketing efforts, addressing travel trade and direct-to-consumer marketing and communications efforts separately. DMOs were surveyed in January 2004 to gauge consistency in travel trade sales definitions and to identify current performance reporting practices.

In response to growing interest and need among the DMO community, the process was accelerated with the first-ever PMT Summit in April 2004. An intensive two-day workshop, the Summit generated the full range of performance reporting standards for travel trade sales, marketing and communications efforts; and, a systematic, standard business approach to calculating DMO Return on Investment. These standards were then submitted for public comment. A revised draft was presented and adopted by the IACVB Board of Directors during its meeting at the 2004 Annual Convention.

The PMT then took up the task of developing standards for the Membership function and Visitor Information Center using the results of surveys on current DMO practices and input gathered at the Membership and Visitor Services Shirtsleeves. A second PMT Summit consolidated the standards. Once again, these standards were subject to public comment with a revised version presented and adopted by the IACVB’s Board of Directors in July 2005.

In 2010, in response to the rapid growth and prevalent use of digital media (search, social media, email and mobile messaging), DMAI reactivated the PMT (now called the Performance Reporting Task Force). The task force’s mandate was to review and update DMAI’s recommended DMO performance reporting practices, focusing on adding definitions, guidelines and measures for the marketing and communications function.

The process used was similar to the one used in the past. An online survey was sent to DMOs in December 2010 to determine current practices for measuring digital marketing efforts in order to establish a baseline. Using the results from the survey, the Task Force developed standard activity and performance measures and productivity metrics for digital marketing which were then posted for public comment in January 2011. A revised draft was presented and adopted by the DMAI Board of Directors in February 2011.
HOW TO USE THIS HANDBOOK

The purpose of this Handbook is to guide the DMO through the process necessary to implement actionable and credible performance reporting. Throughout the implementation process, two questions should be asked on a regular basis: “Are we measuring the right things? Are we measuring the things right?”

To date, the following DMO functional areas have been examined individually: convention sales, travel trade sales, marketing and communication (direct-to-consumer), membership, and visitor information center. In order to develop a performance reporting program for each function, the purpose, or mission, for each function was defined first. From this mission flowed operational definitions and measures needed to illustrate, in an accountable and auditable fashion, the function’s (and eventually the DMO’s) performance as measured against the mission:

Activity: A physical action taken by the DMO functional area that ultimately supports its mission, e.g., attending a tradeshow, conducting a familiarization tour, writing and distributing a press release.

Performance Measure: A measure that helps to define and quantify the results of the DMO activity. Implementation of this system of measures will yield actionable tools that the DMO staff can use for short- and long-term enhancement of its efforts.

It is important to clearly delineate the difference between a Performance Indicator and a Performance Measure as these two terms are often used interchangeably. A Performance Indicator is a number (usually) that illustrates the performance of the travel and tourism industry or one of its industry sectors: hotel occupancy, airport arrivals, attraction attendance, restaurant employment. A Performance Measure, for the purposes of this Handbook, is a number that measures the results of DMO activities.

Productivity Metric: A metric that illustrates the relationship between the DMO performance and its resources. Typically expressed as a ratio (cost per lead, number of bookings per sales manager), productivity metrics assist the DMO in managing its resources in the most cost-efficient and cost-effective manner possible.

Many of the DMAI productivity metrics are designed with the intent that the DMO establish a benchmark year and recalculate these metrics regularly (e.g., quarter-end, year-end). By examining these metrics over time, the DMO will be able to monitor its progress toward achieving desired resource efficiencies.

It is very likely that a DMO will find that it does not engage in one or more of the sales and marketing activities mentioned in this Handbook. DMAI is not recommending DMOs undertake each of these sales and marketing efforts; rather, it is outlining measures and metrics if the DMO does engage in that particular activity.
Fundamental Mission of the Convention Sales Function

To generate visitors (delegates), visitor (delegate) spending and economic impact for the destination by booking events at the destination’s hotels and convention facilities.

APEX Convention Industry Definitions

As part of other Performance Measurement Team (PMT) projects, DMAI defined a number of convention industry-related terms, which have since been adopted by APEX (Convention Industry Council). DMAI, in turn, has incorporated other APEX definitions into its efforts.

Convention: An event where the primary activity of the attendees is to attend educational sessions, participate in meetings/discussions, socialize, or attend other organized events. There is a secondary exhibit component.

Meeting: An event where the primary activity of the attendees is to attend educational sessions, participate in meetings/discussions, socialize, or attend organized events. There is no exhibit component to this event.

Trade Show/Exhibition: An event where the primary activity of the attendees is to visit exhibits on the show floor. These events focus primarily on business to business (B2B) relationships.

Site Inspection: Personal, careful investigation of a property, facility, or area.

Citywide Event: An event that requires the use of a convention center or event complex and multiple hotels in the host city.

Attendees: A combination of delegates, exhibitors, media, speakers, and guests/companions who attend an event.

Delegates: Individuals who attend an event to primarily visit the exhibits or attend meetings and/or conference sessions. This excludes exhibitors, media, speakers, and companions.

Exhibitors: Those who attend an event to staff an exhibit.

Peak: Referring to the night during an event when most rooms are occupied by those in attendance.

Additional Convention Industry Definitions

Direct Spending: All expenditures associated with an event that flow into the host destination’s local economy. Direct spending includes attendee spending, exhibitor spending and event organizer spending.
Economic Impact: Events generate secondary spending (indirect and induced) on the host destination’s local economy over and above the original direct spending. These secondary impacts, when combined with the original direct spending, result in the economic impact of an event.

Indirect spending is spending by the host destination’s travel industry businesses on goods and services from local suppliers on behalf of the specific event. Induced spending occurs when employees in the host destination’s travel industry and its suppliers spend their wages in the local economy. This chain of buying and selling among businesses and employees continues until the original direct spending “leaks out” of the local economy. The economic multiplier is calculated as total economic impact divided by direct spending. (Source: US Travel Association)

**DMO Convention Sales Definitions**

DMAI recommends DMOs adopt the following definitions governing the convention sales function:

1. **Lead**
   
   When an event inquiry by a corporation/association/organization/independent meeting planner that includes a request for a minimum of 10 sleeping rooms per night (peak rooms) over a specific set/range of dates is forwarded by the DMO sales staff ONLY to those hotels that meet the meeting planner’s event criteria. A lead is more formalized than just exchanging/forwarding business cards to hotels.
   
   *Note: For convention center events, if the DMO sends a lead first to the convention center for date availability and then to the hotel(s) for room blocks as a matter of policy, this process should be counted as ONE lead for reporting purposes.*
   
   *Note: Lead is both a status level AND the actual inquiry sent to the hotel(s)/convention center.*
   
   *Note: DMOs may have confidential/internal leads which are generated for performance reporting but are not distributed or published in an external document or calendar.*

2. **Bid**
   
   Proposal submitted by the DMO and/or hotel(s) to a planner that includes defined dates and room blocks. *Note: A bid is an activity, not a performance measure.*

3. **Tentative**
   
   Status assigned to a group/event after the bid has been submitted to the meeting planner and the destination is waiting for a decision. *Note: The tentative status is only a trackable measure, not a performance measure.*
4. Booking

a. Hotel Event: A future event **contracted** in writing by the event organization with the hotel. The DMO should receive a copy of the contract OR a written communication from an authorized agent of the hotel that a contract has been signed. The communication should detail dates, space requirements and estimated room block. The DMO should track estimated attendance and attendee spending for the event.

b. Citywide/Convention Center Event: Given the long-time frame often involved in booking a citywide/convention center event, the booking process generally takes two steps:
   1. Confirmed booking - A future event **confirmed** in writing (letter, booking notice) signed by an authorized agent of the event organization and the convention center (if applicable). The communication should detail dates, space requirements and estimated room block. The DMO should track estimated attendance and attendee spending.
   2. Contracted booking – A future event **contracted** in writing by the event organization with the event facility (e.g., convention center). The DMO should receive communication of this stage in writing from an authorized agent of the convention center.

5. **Lost Opportunity**

A potential event in the lead or tentative stage that was subsequently lost by the destination. This does NOT include venue changes within the destination. The DMO should track the number of estimated room nights, attendance and attendee spending and the reason associated with the lost opportunity.

A list of possible Lost Opportunity reasons should include, but is not limited to:

- Dates not available at hotels
- Hotel room rates too high
- Lack of hotel interest
- Dates not available at convention center
- Convention center costs too high
- No hotel adjacent to convention center
- Safety concerns
- Meeting was cancelled/postponed
- Union/labor costs
- Transportation/access issues
- National/international incidents
- Board preference/internal politics

6. **Cancelled Business**

An event that was booked for the destination (it can be a confirmed or a contracted booking for a citywide/convention center event) that subsequently did not take place, either because the event itself was cancelled or left the destination before taking place. The DMO should track the estimated number of room nights, attendance and attendee spending and the reason associated with the cancellation.
DMO Convention Sales Activity Measures, Performance Measures and Productivity Metrics

DMAI recommends DMOs implement policies and procedures to accurately and systematically measure its activity, performance and productivity as defined below:

**Activity Measures (** *If the DMO engages in the listed effort*)**

1. Number of bids

2. Trade shows attended/exhibited
   - Number of trade shows
   - Number of co-op partners participating
   - Co-op monies generated

3. Sales missions (with industry partners)
   - Number of sales missions
   - Number of co-op partners participating
   - Co-op monies generated

4. Familiarization tours
   - Number of familiarization tours
   - Number of participants (event organizers only)
   - Number of accounts
   - Number of co-op partners participating
   - Co-op monies generated

5. Number of sales calls

6. Number of client site inspections

7. Client events
   - Number of client events
   - Number of participants (event organizers only)
   - Number of accounts
   - Number of co-op partners participating
   - Co-op monies generated

8. Sponsorships
   - Number of client events
   - Trade show elements/sessions
   - Monies spent
   - Number of people at sponsored events (‘customer-exposed impressions’)

9. Number of accounts with activity
DMO Convention Sales Activity Measures, Performance Measures and Productivity Metrics

Performance Measures

1. Leads
   a. Number of leads
   b. Lead room nights (estimate)

2. Bookings
   a. Hotel events
      ▪ Number of bookings
      ▪ Booked room nights (estimate)
      ▪ Booked attendance (estimate)
      ▪ Booked attendee spending (estimate)

   b. Citywide/Convention center events
      ▪ Number of confirmed bookings
      ▪ Booked room nights (estimate)
      ▪ Booked attendance (estimate)
      ▪ Booked attendee spending (estimate)

      ▪ Number of contracted bookings
      ▪ Booked room nights (estimate)
      ▪ Booked attendance (estimate)
      ▪ Booked attendee spending (estimate)

3. Lost opportunities
   a. Number of lost opportunities
   b. Reason for lost opportunity
   c. Lost room nights (estimate)
   d. Lost attendance (estimate)
   e. Lost attendee spending (estimate)

4. Cancellations
   a. Number of cancellations
   b. Reason for cancellation
   c. Cancelled room nights (estimate)
   d. Cancelled attendance (estimate)
   e. Cancelled attendee spending (estimate)
DMO Convention Sales Activity Measures, Performance Measures and Productivity Metrics

**Performance Measures (cont’d.)**

5. Number of leads per tradeshow attended/exhibited by DMO sales staff

6. By-year production

   By-year production measures review the DMO’s event bookings in terms of when the events will occur (regardless when the booking was generated). DMAI recommends the following by-year production performance measures:
   
   a. Number of bookings
   b. Number of booked room nights (estimated)
   c. Number of booked attendees (estimated)
   d. Booked attendee spending (estimated)

   Note: To ensure the usefulness of by-year production performance measures, DMAI recommends DMOs incorporate a standard practice to regularly update the room commitments and estimated attendance of future events.

7. Post-event measures
   
   a. Room night pick-up* (estimate)
      Total attendance

   * Given that hotel rooms are increasingly being booked outside the hotel room block for events, an actual figure for total room night pickup may not be obtainable.

**Additional Trackable Measure**

Tentatives

   a. Number of tentatives
   b. Tentative room nights (estimated)
Productivity Metrics

1. Personnel productivity metrics
   a. Number of leads per sales manager
   b. Number of bookings per sales manager
   c. Number of booked room nights per sales manager

2. Repeat business ratios
   a. \[
   \frac{\text{number of repeat business bookings}}{\text{total number of bookings}}
   \]
   b. \[
   \frac{\text{room nights from repeat business bookings}}{\text{total booked room nights}}
   \]

3. Cost productivity metrics
   The ratios below measure the cost efficiency of the DMO’s convention sales function with respect to its key performance measures: leads, bookings and booked room nights.
   a. Cost per lead = 
   \[
   \frac{\text{convention sales function direct & indirect operating costs}*}{\text{number of leads}}
   \]
   b. Cost per booking = 
   \[
   \frac{\text{convention sales function direct & indirect operating costs}*}{\text{number of bookings}}
   \]
   c. Cost per booked room night = 
   \[
   \frac{\text{convention sales function direct & indirect operating costs}*}{\text{number of booked room nights}}
   \]

* Refer to DMAI’s DMO Uniform System of Accounts for a more detailed discussion of the Convention Sales Function’s direct and indirect operating costs.
Productivity Metrics (cont’d.)

4. Lead conversion ratios

Lead conversion ratios measure, over a stated amount of time, the effectiveness of the DMO’s lead qualifying process and the likelihood generated leads will book for the destination. These ratios are particularly useful as they can be calculated for each individual convention sales representative and for the convention sales function as a whole. There are two standard lead conversion ratios, one that examines the booking rate and one that examines the rate of lost opportunities:

a. Booking ratio =
\[
\frac{\text{number of bookings}}{\text{number of bookings} + \text{number of lost opportunities}}
\]

b. Lost opportunity ratio =
\[
\frac{\text{number of lost opportunities}}{\text{number of bookings} + \text{number of lost opportunities}}
\]

**Example**

In the current year, Visit Harmony generated 45 bookings, 40 lost opportunities and had 48 leads outstanding (from 133 leads that were generated sometime in the past). The lead conversion ratios:

\[
\frac{45 \text{ bookings}}{45 \text{ bookings} + 40 \text{ lost opportunities}} = 53\% \text{ booked}
\]

\[
\frac{40 \text{ lost opportunities}}{45 \text{ bookings} + 40 \text{ lost opportunities}} = 47\% \text{ lost}
\]

**Note:** If DMOs wish to report lead conversion on an on-going basis, DMAI recommends a rolling 12-month review of those leads generated in the past 12 months and computing the percentage that booked, were lost or are still outstanding.
5. Convention booking/Room supply ratio

This ratio measures the degree to which the DMO is booking rooms in the destination’s convention hotels:

\[
\frac{\text{booked room nights (by-year production)}}{\text{total (available) convention hotel room nights}}
\]

6. Demand ratios for total room nights sold

The metrics listed below illustrate the relationship between the DMO’s convention sales performance (measured in room nights) relative to the destination’s convention product and overall product (total room nights sold). These ratios are most useful when the DMO establishes a benchmark year and then compares the measure for subsequent years.

a. This ratio monitors the impact of the DMO’s convention sales effort on the destination’s total convention hotel rooms night sold activity:

\[
\frac{\text{booked room nights (by-year production)}}{\text{total meeting/convention room nights sold}}
\]

b. This ratio monitors the impact of the DMO’s convention sales effort on the destination’s ENTIRE hotel room night sold activity:

\[
\frac{\text{booked room nights (by-year production)}}{\text{total room nights sold (destination-level)}}
\]

Note: These room night production ratios should NOT be used for comparative purposes between DMOs given the wide variety of room inventories by industry segment among destinations.
**DMO Travel Trade Sales Performance Reporting**

**Fundamental Mission of the Travel Trade Sales Function**

To increase leisure visitor volume, visitor spending and economic impact for the destination through the promotion and distribution of the destination’s travel products to the travel trade.

**Travel Industry Definitions**

Listed below are travel trade industry-related terms from various sources, including the National Tour Association and the US Travel Association:

**Packaged Travel:** A package in combination of two or more types of tour components into a product which is produced, assembled, promoted and sold as a package by a tour operator for an all-inclusive price.

**Tour Series/Tour Program:** Multiple departures to the same destination throughout the year.

**Group Tour:** A travel package for an assembly of travelers that has a common itinerary, travel date, and transportation. Group tours are usually prearranged, prepaid, and include transportation, lodging, dining, and attraction admissions.

**Independent Travel:** A custom-designed, prepaid travel package with many individualized arrangements. ITs are unescorted and usually have no formal itinerary. Sometimes referred to as FIT.

**Travel Trade:** Any individual or company that creates and/or markets tours and/or IT packages. Travel trade includes but is not limited to tour operators, travel agents, individual travel planners, online travel companies.

**Tour Catalog:** A publication by tour wholesalers listing their tour offerings. Catalogs are distributed to retail agents who make them available to their customers.

**FAM (Familiarization) Tour:** A free or reduced-rate trip offered to travel professionals to acquaint them with what a destination, attraction, or supplier has to offer. FAMs should be considered a sales effort, more than just an educational trip for the travel trade.

**Itinerary (Suggested):** A recommended schedule of visitor-oriented activities, usually including (but not limited to) the destination’s cultural institutions and attractions, dining establishments, entertainment and recreation venues, retail stores and often highlighting unique, one-of-a-kind offerings. Itineraries are often themed: family, romantic, first-time visitor, etc.

**Visitor Spending:** \((\text{number of visitors}) \times (\text{spending per person per day}) \times (\text{length of stay})\)

**Economic Impact:** Visitor spending generates secondary spending (indirect and induced) in the destination’s local economy over and above the original visitor spending. These secondary impacts, when combined with the original direct spending, result in the economic impact. **Indirect spending** is spending by the destination’s travel industry businesses on goods and
services from local suppliers. *Induced spending* occurs when employees in the destination’s travel industry and its suppliers spend their wages in the local economy. This chain of buying and selling continues until the original direct spending “leaks out” of the local economy. The *economic multiplier* is calculated as total economic impact divided by direct spending.
(Source: US Travel Association)

**DMO Travel Trade Sales Definitions**

DMAI recommends DMOs adopt the following standard definitions governing the travel trade sales function:

**LEAD**

a. **Hotel Lead:** When a group tour or independent tour program inquiry from the travel trade that includes a request for hotel rooms over a specific set/range of dates is forwarded by the DMO sales staff ONLY to those hotels that meet the travel trade’s criteria. A lead is more formalized than just exchanging/forwarding business cards to hotels.

b. **Non-hotel Lead:** When an inquiry for a group tour or independent tour program not requiring hotel rooms from the travel trade over a specific set/range of dates is forwarded by the DMO sales staff ONLY to those non-hotel tourism industry businesses that meet the travel trade’s criteria. A referral is more formalized than just exchanging/forwarding business cards.

*Note:* Lead is both a status level AND the actual physical inquiry sent to the hotel(s) or non-hotel tourism industry business(es).

Note: DMOs may have *confidential/internal* leads which are generated for performance reporting but are not distributed or published in an external document or calendar.

**BOOKING**

a. **Booking from a Hotel Lead:** A booking confirmed either in writing (letter, booking notice, email) from an authorized agent (hotel, travel trade) or by documenting the tour/program’s presence in the travel trade’s distribution channels such as a brochure, website or special sales/marketing program. The booking must be the result of a DMO-generated lead. The DMO should include information on room nights, total visitors and associated visitor spending.

b. **Booking from a Non-hotel Lead:** A booking confirmed either in writing (letter, booking notice, email) from an authorized agent or by documenting the tour/program’s presence in the travel trade’s distribution channels such as a brochure, website or special sales/marketing program. The booking must be the result of a DMO-generated lead. The DMO should include information on total visitors and associated visitor spending.
DMO Travel Trade Sales Activity Measures, Performance Measures and Productivity Metrics

DMAI recommends DMOs implement policies and procedures to accurately and systematically measure its activity, performance and productivity as defined below:

**Activity Measures (*If the DMO engages in the listed effort)*

1. Tradeshows attended/exhibited
   a. Number of tradeshows
   b. Number of co-op partners participating
   c. Co-op monies generated

2. Number of accounts with activity

3. Familiarization tours
   a. Number of familiarization tours
   b. Number of participants (travel trade only)
   c. Number of accounts
   d. Number of co-op partners participating
   e. Co-op monies generated

4. Sales missions (with industry partners)
   a. Number of sales missions
   b. Number of co-op partners participating
   c. Co-op monies generated

5. Number of sales calls

6. Client events
   a. Number of client events
   b. Number of participants (travel trade only)
   c. Number of accounts
   d. Number of co-op partners participating
   e. Co-op monies generated

7. Number of client site inspections

8. Number of developed suggested itineraries

9. Number of packages developed

10. Sponsorships
    a. Number of client events
    b. Tradeshows elements/sessions
    c. Monies spent
    d. Number of people at sponsored events (‘customer-exposed impressions’)
DMO Travel Trade Sales Activity Measures, Performance Measures and Productivity Metrics

Performance Measures

1. Leads (including confidential/internal leads)
   a. Number of hotel leads
      - Lead room nights (estimate)
      - Number of visitors (estimate)
      - Visitor spending (estimate)*

   b. Number of non-hotel leads
      - Number of non-hotel leads by member category
      - Number of visitors (estimate)
      - Visitor spending (estimate)*

2. Bookings (including confidential bookings)
   a. Number of bookings from hotel leads
      - Booked room nights (estimate)
      - Booked visitors (estimated)
      - Booked visitor spending (estimate)*

   b. Number of bookings from non-hotel leads
      - Booked visitors (estimated)
      - Booked visitor spending (estimate)*

* As a best practice, DMAI recommends that DMOs obtain destination-level visitor spending through custom research. Failing that DMOs should use pre-existing secondary research from credible sources with appropriate footnotes and caveats.

Productivity Metrics

1. Personnel productivity metrics
   a. Number of leads per sales manager (hotel & non-hotel leads)
   b. Number of bookings per sales manager (hotel & non-hotel leads)
   c. Number of booked room nights per sales manager (hotel bookings only)

2. Cost productivity metrics
   The three cost productivity ratios listed below measure the cost efficiency of the DMO’s travel trade sales function as a function of its key performance measures: leads, bookings
and booked room nights. DMAI recommends DMOs establish benchmarks in the current year (or prior year if information is available).

a. Cost per lead =

\[
\text{travel trade sales function direct & indirect operating costs}^* \\
\text{number of leads}
\]

b. Cost per booking =

\[
\text{travel trade sales function direct & indirect operating costs}^* \\
\text{number of bookings}
\]

c. Cost per booked room night =

\[
\text{travel trade sales function direct & indirect operating costs}^* \\
\text{number of booked room nights}
\]

* Refer to DMAI’s DMO Uniform System of Accounts for a more detailed discussion of the Travel Trade Sales Function’s direct and indirect costs.

3. Leads to bookings conversion ratio (hotel leads only)

The lead conversion ratio measures, over a stated amount of time, the effectiveness of the DMO’s lead qualifying process and the likelihood generated leads will book for the destination. This ratio is particularly useful as it can be calculated for each individual travel trade sales representative and for the travel trade sales function as a whole:

\[
\frac{(\text{number of bookings from hotel leads})}{(\text{number of leads that did not book}) + (\text{number of bookings from hotel leads})}
\]

**Example**

In the current year, Visit Harmony generated 250 travel trade bookings from 378 travel trade hotel-only leads that were generated sometime in the past. The lead to booking conversion ratio:

\[
\frac{250 \text{ bookings}}{378 \text{ leads}} = 66\% \text{ booked}
\]
**Fundamental Mission of the Marketing & Communications Function**

To increase visitor volume, visitor spending and economic impact for the destination by developing awareness and preference.

**Marketing & Communications Definitions**

The following are standard definitions for key marketing activities and measures:

**Conversion:** The intent of the campaign. For example, opts into e-newsletter/email database, orders visitor guide, books hotel room

**Print, Radio, Television Advertising** (Source: American Association of Advertising Agencies)

- **Frequency** – Average number of times households or persons viewed a given program, station or advertisement during a specific time period. This number is derived by dividing the Gross Ratings Points (GRPs) by the Reach.

- **Gross Rating Point (GRP)** – A unit of measurement of audience size. It is used to measure the exposure to one or more programs or commercials, without regard to multiple exposures of the same advertising to individuals. *One GRP = 1% of TV households.*

- **Reach** – Unduplicated number of individuals or households exposed to an advertising medium at least once during the average week for a reported time period (also known as *Cumulative Audience*).

- **Gross Impressions** – Sum of audiences, in terms of people or households viewing, where there is exposure to the same commercial or program on multiple occasions. Two gross impressions could mean the same person was in the audience on two occasions or that two different people had been exposed only once.

**Digital/Online** (Source: Interactive Advertising Bureau)

- **Ad Views (Impressions):** Number of times an ad banner is (presumably) seen by visitors. Corresponds to *net impressions* in traditional media.

- **Banner:** An ad on a webpage that is (usually) linked to the advertiser’s website.

- **Click:** The action of clicking on an advertisement/link in an ad, email, message, etc.

- **Unique Click:** The user who clicked on any specific link in an ad, email, message, etc.

- **View-through:** Number of tracked visitors to the website from another channel but had the first impression on the page the banner ad appeared.
Marketing and Communications Definitions (cont’d.)

Additional Email Marketing/Mobile Messaging Definitions

**Delivered:** Number of emails/mobile messages sent/deployed less bounces and other delivery errors

**Bounce:** An email/mobile message not delivered

**Forward:** When an email/mobile message is sent from the original recipient to a new recipient

**Website (Sources: Interactive Advertising Bureau)**

**Hit:** A viewing of a webpage/an element on the webpage. If a webpage containing two graphics is viewed by a user, three hits will be recorded - one for the webpage itself and one for each graphic. Because webpage designs vary greatly, hits are a poor guide for traffic measurement.

**Jump Page:** A jump page, also known as a "splash page," is a special webpage set up for visitors who clicked on a link in an advertisement. Jump pages can be used to promote special offers or to measure the response to an advertisement.

**Link:** A connection between two websites.

**Page Views:** Number of times a user goes to a webpage.

**Unique Users:** Number of different individuals who visit a website within a specific time period.

**Valid Hits:** A further refinement of hits, valid hits are hits that deliver all information to a user. (Excludes redirects, error messages and computer-generated hits.)

**Visits:** A sequence of requests made by one user at one website. If a visitor does not request any new information for a period of time, known as the "time-out" period, then the next request by the visitor is considered a new visit.

**Public Relations (Source: Institute for Public Relations)**

**Advertising Equivalency:** A means of converting editorial space into advertising costs by measuring the amount of editorial coverage and then calculating what it would have cost to buy that space, if it had been advertising.

**Circulation:** The number of copies sold of a given edition of a publication, at a given time or as averaged over a period of time.

**Impressions:** The number of those who might have had the opportunity to be exposed to a story that appeared in the media. Sometimes referred to as "opportunity to see." An "impression" usually refers to the total audited circulation of a publication or the audience reach of a broadcast.
DMO Marketing & Communications Activity Measures, Performance Measures and Productivity Metrics

The following are some of the more common marketing efforts a DMO conducts to fulfill its mission of generating visitor volume to its destination. The performance reporting and subsequent ROI formulas will focus solely on the Marketing & Communications function’s ‘direct-to-consumer’ efforts.

However, it should be noted that that marketing and communications efforts can also span the spectrum of convention and travel trade segments and that many of the activity and performance measures, and productivity metrics discussed below can be applied to them as well.

DMAI recommends DMO monitor the following activity measures, performance measures and productivity metrics for each program/niche market and on a total annual basis:

### Activity Measures (*If the DMO engages in the listed effort*)

#### Traditional Advertising/Promotions

1. Number of programs
2. Total reach
3. Total frequency
4. Gross impressions
5. Total value of media placed
   a. Paid media dollars
   b. Co-op media dollars
   c. In-kind/Barter media dollars
   d. Unpaid media dollars
6. Number of co-op partners

#### Search Engine/PPC/Keyword Advertising

1. Number of campaigns/programs
2. Number of impressions
3. Total cost/CPM/PPC

#### Online Display/Banner Advertising

1. Number of campaigns/programs
2. Number of impressions
3. Total value of media placed/Total cost/CPM/PPC
DMO Marketing & Communications Activity Measures, Performance Measures and Productivity Metrics

Activity Measures (cont’d.)

Mobile Advertising/Marketing

1. Number of mobile campaigns
2. Number of mobile messages sent (total and per campaign)
3. Total cost/CPM/PPC

* DMAI suggests, as a best practice, that DMOs that advertise conduct an audit of media placements to ensure that their media plan has been properly executed.

Email Marketing

1. Total database size
2. Number of email campaigns
3. Number of emails sent/deployed (total and per campaign)

Social Media

General guidelines: Activity measures for social media monitor the DMO’s interaction with that social media site.

Note: DMAI is NOT recommending DMOs engage in one specific social media outlet over another. The below performance reporting metrics are for those DMOs who are already using/considering using the listed social media.

1. Facebook: Number of Facebook posts by the DMO
2. Twitter: Number of tweets sent by the DMO
3. YouTube: Number of videos posted
4. Destination Blog: Number of blog articles written

Media/Public Relations

1. Media tradeshows
   a. Number of media tradeshows attended
   b. Number of appointments
2. Media missions
   a. Number of media missions
   b. Number of co-op partners
   c. Number of media contacts
Activity Measures (cont’d.)

3. Number of media/PR calls
4. Media familiarization tours
   a. Number of familiarization tours
   b. Number of journalists/media participating
   c. Number of publications represented
5. Press releases
   a. Number of press releases issued
   b. Number distributed (incl. downloaded off DMO website) per press release
6. Number of media inquiries
7. Number of media interviews
8. Number of newsletters (incl. e-newsletters) produced
9. Number of public service announcements (PSA) produced
10. Number of accounts with activity

Event Marketing

1. Number of events supported
2. Number of events produced

Performance Measures

Traditional Advertising/Promotions

Performance measures and productivity metrics for traditional advertising campaigns are typically determined by advertising effectiveness studies. Performance measures typically include (but are not limited to): Advertising awareness (aided and unaided), changes in a destination’s brand image among target audiences over time as well as intent to travel. A more thorough discussion on advertising performance reporting is in the productivity metrics section of this chapter.

Inquiries/Fulfillment

1. Number of brochure requests
2. Number of consumer calls handled
3. Number of coupons redeemed
DMO Marketing & Communications Activity Measures, Performance Measures and Productivity Metrics

Performance Measures (cont’d.)

DMO Website
1. Number of user sessions
2. Number of unique users
3. Number of repeat visits
4. Number of clicks to the DMO website
5. Number of specific webpage view counts
6. Number of clicks to member/sponsor websites from DMO website ads and/or links
7. Number of web coupons redeemed
8. Average length of session
9. Search engine referrals
   a. Total number of referrals
   b. Top referring search engines
   c. Percent of website traffic attributable to search engine referrals
10. Search engine results’ placement of website
11. Number of people who register on the DMO’s website/‘opt-ins’

Search Engine/PPC/Keyword Advertising
1. Number of clicks
2. Number of conversions as defined by the specific campaign

Online Display/Banner Advertising
1. Number of clicks
2. Number of view-throughs
3. Number of conversions as defined by the campaign

Mobile Advertising/Marketing
1. Number of mobile messages delivered
2. Number of bounces
3. Number of clicks
4. Number of conversions as defined by the campaign
Performance Measures (cont’d.)

Email Marketing

1. Number of emails delivered
2. Number of bounces
3. Number of opened emails
4. Number of clicks
5. Number of unique clicks
6. Number of email forwards
7. Number of unsubscribe requests
8. Number of conversions as defined by the campaign

Social Media

General guidelines: Performance measures quantify the public’s interaction with that site (overall and by specific actions).

1. Facebook
   a. Number of Facebook ‘likes’
   b. Number of page views
   c. Number of unique page views
   d. Number of active Facebook users
   e. Number of Facebook ‘interactions’ (including ‘likes’ and comments)
   f. Number of clicks
   g. Number of conversions as defined by the DMO posting

2. Twitter
   a. Number of Twitter followers
   b. Number of Twitter retweets
   c. Number of Twitter ‘mentions’
   d. Number of clicks on Tweeted links
   e. Number of conversions as defined by the DMO Tweet

3. YouTube
   a. Number of channel views
   b. Number of video views
   c. Number of subscribers
Performance Measures (cont’d.)

4. Destination Blog
   a. Number of blog visits
   b. Number of clicks
   c. Number of RSS feed subscribers
   d. Number of blog shares

Media/Public Relations

1. Placements
   a. Total number of placements
   b. Domestic vs. international placements
   c. Broadcast vs. print vs. online placements

2. Number of impressions (circulation)

3. Advertising equivalency ($)

Bookings

1. Online/1-800 hotel reservations
   a. Number of room nights booked
   b. Room booked revenue
   c. Rooms sold commission
   d. Average length of stay

2. Online ticket sales (e.g., attractions, tours, etc.)*
   a. Total tickets sold
   b. Tickets sold revenue
   c. Tickets sold commission

* See Visitor Services Performance Reporting chapter for ticket sales at DMO Visitor Information Center(s)

3. Packages
   a. Total packages sold
   b. Packages sold revenue
   c. Packages sold commission
   d. Number of room nights booked
**Productivity Metrics**

DMAI recommends that DMOs focus on productivity metrics for the marketing and communications function that:

- Examine operational and cost effectiveness of the specific marketing effort
- Measure the generation of visitors to the destination

**Search Engine/PPC/Keyword Advertising**

1. **Click-through Rate** = \( \frac{\text{number of clicks on DMO’s advertisement/link}}{\text{total viewers of advertisement/link (impressions)}} \)

2. **Bounce Rate** = \( \frac{\text{number of viewers who only view one page of website}}{\text{total website viewers}} \)

3. **Conversion Rate** = \( \frac{\text{number of clicks who performed desired outcome of campaign}}{\text{total number of clicks attributable to campaign}} \)

4. **Cost-Per-Conversion Rate** = \( \frac{\text{CPM/PPC of the campaign}}{\text{number of clicks who performed desired outcome of campaign}} \)

**Online Display/Banner Advertising**

1. **Click-through Rate** = \( \frac{\text{number of clicks on DMO’s advertisement/link}}{\text{total viewers of advertisement/link (impressions)}} \)

2. **Bounce Rate** = \( \frac{\text{number of viewers who only view one page of website}}{\text{total website viewers}} \)

3. **Conversion Rate** = \( \frac{\text{number of clicks who performed desired outcome of campaign}}{\text{total number of clicks attributable to campaign}} \)

4. **Cost-Per-Conversion Rate** = \( \frac{\text{CPM/PPC of the campaign}}{\text{number of clicks who performed desired outcome of campaign}} \)
### Productivity Metrics (cont’d.)

#### Mobile Advertising/Marketing

1. **Delivery Rate**  
   \[ \text{Delivery Rate} = \frac{\text{sent messages that were delivered}}{\text{total sent mobile messages}} \]

2. **Open Rate**  
   \[ \text{Open Rate} = \frac{\text{delivered messages that were opened}}{\text{total delivered messages}} \]

3. **Bounce Rate**  
   \[ \text{Bounce Rate} = \frac{\text{sent messages that bounced}}{\text{total sent messages}} \]

4. **Click to Open Rate**  
   \[ \text{Click to Open Rate} = \frac{\text{opened messages that resulted in a click}}{\text{total messages}} \]

5. **Click-through Rate**  
   \[ \text{Click-through Rate} = \frac{\text{delivered messages that resulted in a click}}{\text{total delivered messages}} \]

6. **Conversion Rate**  
   \[ \text{Conversion Rate} = \frac{\text{number of clicks who performed desired outcome of campaign}}{\text{total number of clicks attributable to campaign}} \]

7. **Cost-Per-Conversion Rate**  
   \[ \text{Cost-Per-Conversion Rate} = \frac{\text{CPM/PPC of the campaign}}{\text{number of clicks who performed desired outcome of campaign}} \]

#### Online hotel booking function conversion ratios

1. **Overall ‘Look-to Look’ ratio**  
   \[ \text{Overall ‘Look-to Look’ ratio} = \frac{\text{number of hotel date/rate availability webpage page views}}{\text{number of users to website}} \]

2. **Overall ‘Look-to Book’ ratio**  
   \[ \text{Overall ‘Look-to Book’ ratio} = \frac{\text{number of bookings through online hotel booking function}}{\text{number of users to website}} \]

3. **‘Look-to Book’ ratio**  
   \[ \text{‘Look-to Book’ ratio} = \frac{\text{number of bookings through online hotel booking function}}{\text{number of hotel date/rate availability webpage page views}} \]
Productivity Metrics (cont’d.)

Package conversion

For web-based package conversions, two conversion ratios are offered. The design of the DMO’s package webpages will dictate the use of one over the other:

\[
\frac{\text{number of DMO-offered packages purchased}}{\text{number of page views for the initial package webpage}}
\]

\[
\frac{\text{number of DMO-offered packages purchased}}{\text{number of page views for the package pricing/availability webpage}}
\]

* As a best practice, DMAI recommends DMOs conduct follow-up research with package purchasers to determine average out-of-pocket expenditures.

Inquiry conversion ratio

Conversion of ‘inquiries’ produced by the DMO’s marketing efforts to generated visitors. Inquiries can include:

a. Individuals who went to a unique website in response to a specific marketing effort
b. Individuals who requested visitor information (guides, maps, etc.) via phone (does not include individuals who called and were redirected elsewhere)
c. Website user sessions of a certain minimum length or user sessions for travel-specific pages

As a best practice, DMAI encourages DMOs to incorporate in their initial program setup a step where three pieces of information are collected from the inquirer:

a. How they got the phone number/website address (also known as ‘lead source’)
b. If the consumer already decided to come to the destination before they contacted the DMO
c. Permission to recontact for a follow-up survey

This information will assist the DMO in ultimately determining whether the inquiry turned into a visit to the destination and whether the visit was generated by the DMO’s efforts.

\[
\text{Inquiry conversion ratio} = \frac{\text{Number of visitors generated by the DMO marketing effort(s)}}{\text{Number of inquiries generated by the DMO marketing effort(s)}}
\]
Marketing Effectiveness Studies

The ultimate measure of marketing productivity is the number of individuals whose visit to the destination was *clearly and significantly generated* by the DMO’s marketing efforts.

**DMOs are strongly cautioned against using their destination’s total number of visitors as it is extremely unlikely that the DMO generated each and every visitor to its destination.**

As a best practice, if a DMO spends a significant amount (or percentage) of its budget on marketing efforts, it must then be prepared to invest in the research necessary to accurately and credibly measure the effectiveness of those efforts.

A common research method to measure visitors generated by the DMO is the conversion study that determines the percentage of individuals responding to a specific DMO marketing effort (e.g., requesting travel information, looking at package webpages) who eventually visit the destination.

A conversion study for *inquiries generated* by a particular advertising campaign is limited in that it does not account for visitors who were generated by the campaign but did not subsequently contact the DMO. In order to gain a full accounting of ALL visitors that were generated, DMAI recommends that DMOs who advertise conduct custom advertising effectiveness research studies. These studies can also be used to measure other key advertising performance measures including awareness, destination image and perception, and intent to travel.

One of the chief failings of conversion and effectiveness studies in the past was they failed to exclude individuals who had already decided to come to the destination before they contacted the DMO. As a result, the results tended to overstate the number of visitors generated by the particular DMO marketing effort being reviewed.

Modified studies that address this issue can assist DMOs in determining the productivity of their marketing efforts, as can other research methodologies. *As a best practice,* DMAI encourages DMOs, working with market research professionals, to begin to implement a research program that will determine the number of visitors generated by their marketing activities.
DMO Membership Performance Reporting

DMAI recognizes there are many membership models employed by DMOs including partnership and ‘á la carte.’ The definitions and measures below, while geared for a more traditional membership mode, can be adapted to the specific DMO’s needs.

**Fundamental Mission of the Membership Function**

To generate revenue and create partnerships for the DMO by guiding and educating members on how to use the DMO to gain access and exposure to the travel & tourism marketplace.

**Membership Definitions**

DMAI recommends DMOs adopt the following definitions governing the membership function:

1. **Active Member** – A member for whom:
   a. The current year’s DMO membership dues have been paid
   b. The dues are complimentary or ‘traded-out’ as part of a reciprocal relationship

2. **Suspended Member (aka pending, frozen)** – A member whose dues payment is past due for a certain amount of time (specific amount of time to be determined by the DMO). The action taken by the DMO (total or partial suspension of benefits, etc.) is also at the individual DMO’s discretion.

3. **Cancelled Member (aka lost)** – A business that is no longer a DMO member. A list of possible reasons for cancellation should include but is not limited to:
   - Financial hardship
   - No benefit (real or perceived)
   - Out of business
   - Change in member’s marketing strategy
   - Headquarters decision
   - Code of Ethics violation

4. **Reinstated Member** – A cancelled member that reactivated its membership within a specific amount of time (at the discretion of the DMO – usually fewer than 12 months).

5. **New Member** -- A member who is a first-year member (has not yet renewed membership for the first time).

6. **Core Member** -- A member who been a DMO member for more than three years.

7. **Key Industry Segment** – Can include, but is not limited to, accommodations, restaurants, attractions, cultural institutions, retail establishments, etc.
DMO Membership Activity Measures, Performance Measures and Productivity Metrics

DMAI recommends DMOs implement policies and procedures to accurately and systematically measure its activity, performance and productivity as defined below:

**Activity Measures (\textit{* If the DMO engages in the listed activity})**

A. New Member Sales
   1. Number of sales calls (all forms of contact)
   2. Number of sales kits/collateral sent
   3. Number of qualified prospects

B. Servicing
   DMAI recognizes that DMOs have limited staff resources to document all member servicing throughout the year. As a best practice, DMAI recommends that DMOs be able to monitor that members are being regularly engaged by the DMO.
   1. Member events (including networking, educational, etc.)
      a. Number of member events
      b. Member attendance (number of people AND number of members)
   2. Number of member visits to member-only section of DMO website

DMAI strongly recommends DMOs conduct member satisfaction/needs assessment studies. Surveying members will give DMOs invaluable, actionable guidance as they regularly review their member benefits and services to ensure they are meeting member needs.

**Performance Measures**

1. New Members
   a. Number of new members
   b. New member dues ($)
   * Also measure by key industry segments

2. Renewed members
   a. Number of renewed members
   b. Renewed member dues ($)
   * Also measure by new and core members, and by key industry segments

3. Suspended members
   a. Number of suspended members
   b. Suspended member dues ($)
   * Also measure by new and core members, and by key industry segments
DMO Membership Activity Measures, Performance Measures and Productivity Metrics

**Performance Measures (cont’d.)**

4. **Cancelled members**
   a. Number of cancelled members
   b. Cancelled member dues ($) 
   c. Reason for cancellation 
   d. Number of cancelled members who went out of business

* Also measure by new and core members, and by key industry segments

5. **Reinstated members**
   a. Number of reinstated members
   b. Reinstated member dues ($) 

* Also measure by new and core members, and by key industry segments

6. **Net cancelled members** (total cancelled members less reinstated members)
   a. Number of net cancelled members
   b. Net cancelled member dues ($) 

* Also measure by new and core members, and by key industry segments

7. **Non-dues revenues** *(only those programs for which the membership function is responsible)*
   a. Number of member participants 
   b. Revenues generated ($) 

*Note: Non-dues revenue programs may differ among DMOs but may include advertising sales, promotional buy-ins, etc.*

**Productivity Metrics**

1. **Personnel Productivity Metrics**
   a. Number of new members per membership sales manager 
   b. New member dues per membership sales manager 

2. **Prospect Conversion Ratio** = \( \frac{\text{number of new members}}{\text{number of prospects}} \) (‘closing ratio’)

3. **Membership Retention Rate** = \( \frac{\text{number of renewed members (current FY)}}{\text{number of active members (at end of previous FY)}} \)

* Also measure by new and core members, by key industry segments, and by individual membership sales manager
### Productivity Metrics (cont’d.)

4. **Membership Dues Retention Rate** =  
   \[
   \frac{\text{dues of renewed members (current FY)}}{\text{current FY dues of active members (end of previous FY)}} 
   \]

   * Also measure by new and core members, by key industry segments, and by individual membership sales manager

5. **Membership Cancellation Rate** =  
   \[
   \frac{\text{number of (net) cancelled members (current FY)}}{\text{number of active members (end of previous FY)}} 
   \]

   * Also measure by new and core members, by key industry segments, and by individual membership sales manager

6. **Membership Dues Cancellation Rate** =  
   \[
   \frac{\text{dues of (net) cancelled members (current FY)}}{\text{current FY dues of active members (end of previous FY)}} 
   \]

   * Total rate and separated by new and core members; by key industry segments; by individual membership sales manager

   **Note:** DMAI recommends DMOs calculate the two membership cancellation rates for cancelled members AND for cancelled members less those who went out of business.

7. **Membership Replacement** =  
   \[
   \frac{\text{number of new members}}{\text{number of (net) cancelled members}} 
   \]

   (by number of members)

8. **Membership Replacement** =  
   \[
   \frac{\text{new member dues}}{(net) cancelled member dues} 
   \]

   (by member dues)

9. **Cost of Non-Core Members** =  
   \[
   \frac{\text{non-core member dues}}{\text{direct member sales costs*}} 
   \]

   * allocate personnel costs if staff does both member sales and servicing

10. **Key Industry Segment Contribution** =  
    \[
    \frac{\text{key industry segment member dues}}{\text{total member dues}} 
    \]
    (to Total Member Dues)
### Example

Visit Harmony ended FY2010 with 500 active members whose FY2010 dues amounted to $250,000.

In FY2011, the DMO implemented a 2% dues increase. The 500 members received renewal invoices that totaled $255,000 ($250,000 plus the 2% increase).

350 of the active members renewed their membership. Their renewal dues amounted to $200,000.

Of the 150 active members who did not renew ($55,000 in cancelled dues), 10 had gone out of business (their invoiced dues were $3,000).

During the year, the DMO signed up 140 new members with $45,000 in new dues revenue.

At the end of the year, the DMO had 490 active members whose dues amounted to $245,000.

The retention rates for FY2011:

- 350 renewed members / 500 members (active at the end of FY2010) = 70% retention
- $200,000 renewed dues / $255,000 invoiced dues = 78% dues retention

The cancellation rates for the year:

- 150 cancelled members / 500 members (active at the end of FY2010) = 30% cancelled
- $55,000 renewed dues / $255,000 invoiced dues = 22% dues cancelled

The cancellation rates excluding cancelled members who went out of business:

- 140 cancelled members / 500 members (active at the end of FY2010) = 28% cancelled
- $52,000 cancelled dues / $255,000 invoiced dues = 20% dues cancelled

The member replacement rates:

- 140 new members / 150 cancelled members = 93%
- $45,000 new member dues / $55,000 cancelled member dues = 81%
DMO VISITOR INFORMATION CENTER ACTIVITY MEASURES, PERFORMANCE MEASURES AND PRODUCTIVITY METRICS

Fundamental Mission of the Visitor Information Center

To increase visitor volume, the length of stay and visitor spending for the destination by providing relevant visitor information and a quality visitor experience.

DMAI recommends DMOs implement policies and procedures to accurately and systematically measure its activity, performance and productivity as defined below:

Activity Measures (* If the DMO engages in the listed activity)

1. Number of members/tourism industry businesses represented in VIC (e.g., brochure racks)
2. In-kind services received by the DMO for the VIC ($ equivalent)
3. Local industry training sessions conducted by VIC staff
   a. Number of sessions
   b. Attendance at sessions
4. Number of VIC staff site inspections at local tourism industry businesses
5. Number of VIC staff presentations to groups visiting the destination
6. Number of VIC onsite promotions
7. Number of brochures distributed at VIC (DMO, members/partners, etc.)

Performance Measures

Servicing

1. Number of walk-in visitors (actual counts, not estimates)
2. Number of walk-in visitors who are visitors to the destination
3. Number of walk-ins assisted by VIC staff/volunteers

Sales

1. Number of bookings/reservations/ticket sales (hotel, restaurant, attractions, tours, etc.) – kiosks, counselors, online (at VIC)
2. $ sales from bookings/ticket sales
3. $ retail sales (merchandise, vending machines, gift cards, etc.)
4. VIC space rental fees

DMO Revenue Generation

1. Sponsorship/partnership revenue
2. VIC advertising/marketing/promotion revenue
Performance Measures (cont’d.)

DMAI recommends DMOs regularly survey walk-ins to their Visitor Information Center(s) to ensure they are meeting the needs of their walk-ins. Recommended topics include:

1. Use of the VIC’s information services
2. Evaluation of the VIC’s information services
3. Trip characteristics (expenditures, purpose of trip, length of trip, accommodations, activities, party size, when the VIC was visited during the trip etc.)
4. Demographics (residence, use of Internet, gender, household income, age, etc.)
5. Influence of the VIC’s information services on the walk-in’s trip including increasing length of stay, increasing visitor spending and return visitation

The information gained will assist DMOs in measuring the percentage of walk-ins who are visitors to the destination. Using this and how the VIC changed the walk-ins’ trip will allow DMOs to determine the incremental visitor spending that was clearly and significantly generated by the VIC(s). From this, DMOs will then be able to determine the ROI of their VIC.

Measuring the Impact of the VIC

1. Increase in length of stay
2. Increase in visitor spending
3. Increase in the number of visitors

Productivity Metrics

1. Cost per Walk-in = \( \frac{\text{VIC direct & indirect operating costs}}{\text{Number of walk-ins}} \)

   * DMAI also recommends DMOs determine the cost per non-resident walk-in.

2. Cost per Walk-in Assisted by Visitor = \( \frac{\text{VIC direct & indirect operating costs}}{\text{Number of walk-ins assisted by VIC staff/volunteers}} \)

3. Revenue/Expense Ratio = \( \frac{\text{DMO revenue generated by VIC}}{\text{VIC direct & indirect operating costs}} \)

   * Only Center-related costs; exclude any fulfillment function costs. Refer to DMAI’s DMO Uniform System of Accounts for a more detailed discussion of the Visitor Information Center’s direct and indirect costs.
DMO RETURN ON INVESTMENT

DMAI recommends that DMOs use standard business ROI approaches to quantify its financial impact on its local community. ROI formulas examine the return from the investment made by an organization, conceptually represented by the simple ROI formula below:

\[
\text{Return on Investment} = \frac{\text{Amount of Return (income)}}{\text{Amount of Investment (expense)}}
\]

For a DMO, the amount of return is typically what the DMO returned to the destination (visitor spending, economic impact, tax dollars), **clearly and significantly generated** through its sales and marketing efforts.

As the majority of DMOs receive some form of public funding (often allocated tax revenues), it is important that the DMO be able to demonstrate to their public funding stakeholders that they received a positive ROI on their investment.

Recognizing that ROI requests come in many forms, DMAI has identified four ROI formulas that the DMO can choose to use to cover the majority of these requests – two that examine ROI at the DMO-level and two that examine ROI at the function-level.

*Note*: DMOs are cautioned to consistently use the same ROI formula when measuring their ROI over time.

**DMO-level ROI Formulas**

1. **Return on Total Operating Costs**

   \[
   \text{visitor spending generated by the DMO’s efforts} \quad \frac{1}{\text{total DMO operating costs}}
   \]

   \(^1\) The sum of visitor spending generated by the DMO’s convention sales, travel trade sales, marketing & communications, and visitor information center functions.

2. **Tax Return on Total DMO Public Funding**

   This ROI formula relates the destination’s public investment (tax revenues, general fund allocations, etc.) in the DMO to the taxes that are produced by the DMO-generated visitor spending:

   \[
   \text{taxes produced by DMO-generated visitor spending} \quad \frac{1}{\text{total DMO public funding}}
   \]

   In the absence of specific research determining the taxes produced by DMO-generated visitor spending, DMOs are encouraged to use the tax to visitor spending ratio from their community’s tourism economic impact studies.
**DMO Return on Investment**

**Functional Area ROI Formulas**

1. **Return on Functional Area Direct Operating Costs**
   
   \[
   \frac{\text{visitor spending generated by the DMO’s efforts by functional area}}{\text{direct operating costs for the functional area}}
   \]

2. **Return on Functional Area Direct & Indirect Operating Costs**

   \[
   \frac{\text{visitor spending generated by the DMO’s efforts by functional area}}{\text{direct & indirect operating costs for the functional area}}
   \]

**Convention Sales Function**

1. **Return on Convention Sales Function Direct Operating Costs**

   \[
   \frac{\text{attendee spending generated by the DMO’s convention sales function}}{\text{convention sales function direct operating costs}}
   \]

   (see note 1)

   \[
   \frac{\text{convention sales function direct operating costs}}{\text{convention sales function direct & indirect operating costs}}
   \]

   (see note 2)

2. **Return on Convention Sales Function Direct & Indirect Operating Costs**

   \[
   \frac{\text{attendee spending generated by the DMO’s convention sales function}}{\text{convention sales function direct & indirect operating costs}}
   \]

   (see note 1)

   \[
   \frac{\text{convention sales function direct & indirect operating costs}}{\text{convention sales function direct & indirect operating costs}}
   \]

   (see note 2)

**Note 1**

Attendee spending is defined as:

\[
(Total \ Estimated \ Attendance) \times (Daily \ Attendee \ Spending) \times (Average \ Length \ of \ Stay)
\]

a. Total estimated attendance is the attendance for events **booked** in the time period for which the ROI is being calculated, regardless when the event will take place.

b. Only booked events where the DMO generated the lead/confidential lead can be included.

*Note:* Attendee spending will not necessarily reflect subsequent event cancellations or attendee figure revisions. DMOs are strongly encouraged to footnote this in their ROI calculations.

**Note 2**

DMAI recommends DMOs use the DMAI DMO Uniform System of Accounts and Line Item Cost Allocation Worksheet for guidance on direct and indirect operating cost line items.

DMOs must ensure the allocation methods are the same when comparing ROIs between DMOs.
DMO Return on Investment

**Functional Area ROI Formulas (cont’d.)**

**Travel Trade Sales Function**

1. Return on Travel Trade Sales Function Direct Operating Costs

\[
\frac{\text{visitor spending generated by the DMO’s travel trade sales function}}{\text{travel trade sales function direct operating costs}}
\]  
(see note 1)  
(see note 2)

2. Return on Travel Trade Sales Function Direct & Indirect Operating Costs

\[
\frac{\text{visitor spending generated by the DMO’s travel trade sales function}}{\text{travel trade sales function direct & indirect operating costs}}
\]  
(see note 1)  
(see note 2)

**Note 1**

Visitor spending is defined as:

\[
(Total \text{ Booked Visitors}) \times (Daily \text{ Visitor Spending}) \times (Average \text{ Length of Stay})
\]

- **a.** Total booked visitors only includes those visitors for which the DMO generated the lead/confidential lead (hotel and non-hotel leads).
- **b.** Booked visitor counts are estimated since actual post-trip figures are not collected.
- **c.** Daily visitor spending: In the absence of destination-specific visitor spending figures and average length of stay, DMAI recommends DMOs use pre-existing secondary research from credible sources with appropriate footnotes and caveats.

**Note 2**

DMAI recommends DMOs use the *DMAI DMO Uniform System of Accounts* and *Line Item Cost Allocation Worksheet* for guidance on direct and indirect operating cost line items.

*Note:* DMOs must ensure allocation methods are the same when comparing ROIs between DMOs.
DMO RETURN ON INVESTMENT

Functional Area ROI Formulas (cont’d.)

Marketing & Communications Function

1. Return on Marketing & Communications Function Direct Operating Costs

\[
\frac{\text{visitor spending generated by the DMO’s marketing & communications function}}{\text{marketing & communication function’s direct operating costs}}
\]

(see note 1) (see note 2)

2. Return on Marketing & Communications Function Direct & Indirect Operating Costs

\[
\frac{\text{visitor spending generated by the DMO’s marketing & communications function}}{\text{marketing & communication function’s direct & indirect operating costs}}
\]

(see note 1) (see note 2)

note 1

Visitor spending is defined as:

\[
(Total \text{ Generated Visitors}) \times (Daily \text{ Visitor Spending}) \times (Average \text{ Length of Stay})
\]

1. Total generated visitors is the number of visitors \textit{clearly and significantly} generated by the DMO’s marketing efforts, a figure arrived through the studies described in detail in the section on Marketing & Communication Productivity Metrics, including advertising campaign effectiveness, inquiry conversion studies and package purchased studies.

2. Daily visitor spending: In the absence of destination-specific visitor spending figures and average length of stay, DMAI recommends DMOs use pre-existing secondary research from credible sources with appropriate footnotes and caveats.

3. For generated visitors traveling on packages, an alternative, conservative approach (if custom research is not available) would be to use the package purchase price.

note 2

DMAI recommends DMOs use the \textit{DMAI DMO Uniform System of Accounts and Line Item Cost Allocation Worksheet} for guidance on direct and indirect operating cost line items.

\textit{Note:} DMOs must ensure allocation methods are the same when comparing ROIs between DMOs.
Functional Area ROI Formulas (cont’d.)

Visitor Information Center (VIC)

1. Return on VIC Direct Operating Costs

\[
\text{ROI} = \frac{\text{visitor spending generated by the DMO’s VIC}}{\text{VIC direct operating costs}}
\]

(see note 1)

(see note 2)

2. Return on VIC Direct & Indirect Operating Costs

\[
\text{ROI} = \frac{\text{visitor spending generated by the DMO’s VIC}}{\text{VIC direct & indirect operating costs}}
\]

(see note 1)

(see note 2)

Note 1
Visitor spending is defined as the spending clearly and significantly generated by the DMO’s VIC, a figure arrived through the studies described in detail in the section on Visitor Information Center Productivity Metrics.

Note 2
DMAI recommends DMOs use the DMAI DMO Uniform System of Accounts and Line Item Cost Allocation Worksheet for guidance on direct and indirect operating cost line items.

Note: DMOs must ensure allocation methods are the same when comparing ROIs between DMOs.
**DMO RETURN ON INVESTMENT**

**DMO ROI: Case Study Example**

Visit Harmony’s operating costs in FY2010 were $4.0 million. Its functional area cost breakouts:

1. Convention Sales Function
   - Direct: $900,000
   - Indirect: $350,000

2. Travel Trade Sales Function
   - Direct: $650,000
   - Indirect: $225,000

3. Marketing & Communications Function (direct-to-consumer only)
   - Direct: $1.2 million
   - Indirect: $275,000

4. Visitor Information Center
   - Direct: $300,000
   - Indirect: $100,000

By measuring its activity, performance and productivity in the manner outlined in the *Handbook*, Visit Harmony identified $220.5 million in visitor spending that was clearly and significantly generated by its sales and marketing efforts, broken out by functional area:

- Convention Sales Function: $105.0 million in future attendee spending from events booked by the Harmony DMO in 2003.
- Travel Trade Sales Function: $45.0 million in visitor spending
- Marketing & Communications Function: $70.0 million in visitor spending
- Visitor Information Center: $500,000

**Return on Total Operating Costs**

\[
\frac{\text{visitor spending generated by the DMO's efforts}}{\text{total DMO operating costs}} = \frac{\$220.5 \text{ million}}{\$4.0 \text{ million}} = 55.13
\]

A recent tourism economic impact study conducted for Harmony showed that visitors to the city spent $3.76 billion which generated $94 million in local taxes, or 2.5 cents for every dollar. Visit Harmony uses this ratio to determine local taxes produced by its visitor generated spending of $150.05 million:

**Tax Return on Total DMO Public Funding**

\[
\frac{\text{taxes produced by DMO-generated visitor spending}}{\text{total DMO public funding}} = \frac{(\$220.5 \text{ million}) \times (0.025)}{\$4.0 \text{ million}} = 1.38
\]
DMO RETURN ON INVESTMENT

DMO ROI: Case Study Example (cont’d.)

Return on Functional Area Direct Operating Costs

*visitor spending generated by the DMO’s efforts by functional area*
*direct operating costs for the functional area*

1. Convention Sales = \($105.0 \text{ million} \over \$900,000\) = 116.7

2. Travel Trade Sales = \($45.0 \text{ million} \over \$650,000\) = 69.2

3. Marketing & Communications = \($70.0 \text{ million} \over \$1.2 \text{ million}\) = 58.3

4. VIC = \($500,000 \over \$300,000\) = 1.7

Return on Functional Area Operating Direct & Indirect Costs

*visitor spending generated by the DMO’s efforts by functional area*
*direct & indirect operating costs for the functional area*

1. Convention Sales = \($105.0 \text{ million} \over \$1.25 \text{ million}\) = 84.0

2. Travel Trade Sales = \($45.0 \text{ million} \over \$875,000\) = 51.4

3. Marketing & Communications = \($70.0 \text{ million} \over \$1.475 \text{ million}\) = 47.5

4. VIC = \($500,000 \over \$400,000\) = 1.3
About the Trust & Innovation Portal:

The Office of the City Auditor manages the City’s Trust & Innovation Portal (TIP). TIP is an online tool designed to encourage residents and employees to:

1) Share innovative ideas about improving City services; and
2) Report suspected cases of improper activity in City operations.

TIP enhances trust by safeguarding public monies and resources and holding City officials and employees accountable as stewards.

Per the City of Beverly Hills Municipal Code Title 2, Chapter 3, Article 13, effective 10-6-2017, City Auditor duties include investigating allegations of fraud, abuse, or illegal acts.

TIP is operated pursuant to California Government Code §53087.6. California Government Code §53087.6 establishes the City Auditor’s authority to maintain a whistleblower hotline to receive information regarding fraud, waste or abuse. The Statute defines fraud, waste, or abuse as, "any activity by a local agency or employee that is undertaken in the performance of the employee’s official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct."

The City Auditor will maintain confidentiality to the greatest extent possible of all complaints, associated reports, working papers, and other documents. Similarly, Departments investigating allegations shall also maintain the confidentiality of all complaints.

The City of Beverly Hills will not retaliate, nor will it tolerate retaliation, against those who, in good faith report suspected wrongdoing or who participate in an investigation of wrongdoing. An act of retaliation should be reported immediately to the City Auditor. In addition, those who bring matters to the Office of the City Auditor are protected through the state Whistleblower Protection Act.

The City Auditor reviews all non-fraud related complaints made to TIP and makes a determination as to the appropriate referral. The City Auditor refers all complaints pertaining to employee relations, discrimination, harassment, and personnel related complaints to the Human Resources Department Director. In other cases, non-fraud related complaints are referred to the City Manager or his designee for further review and investigation. The City Auditor sends the affected Department Director a memorandum notifying him or her of the complaint, requesting a response, and, if necessary, advise of the process for resolving the complaint. The Office of the City Auditor ensures, through monitoring and reminders to the designated Department head, that timely investigative and resolution activities are undertaken in response to complaints received through the portal.
Definitions

Terms used in this report are defined as follows:

**Abuse** – Official City action that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary under the circumstances.

**Corrective Action** – Action taken to remedy an allegation or situation.

**Fraud** – Any intentional act or omission designed to deceive others, resulting in the victim (City of Beverly Hills) suffering a loss and/or the perpetrator achieving a personal gain.

**Out of Purview** – Not within the jurisdiction of the City of Beverly Hills.

**Substantiated** – A preponderance of the evidence established that the allegation is true.

**Unfounded** – A preponderance of the evidence established that the allegation is or without merit.

**Unsubstantiated** – There is insufficient evidence to determine whether the alleged conduct occurred.

**Waste** – The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of City resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.
CITY OF BEVERLY HILLS

OFFICE OF THE CITY AUDITOR

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Eduardo Luna, City Auditor
DATE: October 16, 2020
SUBJECT: Trust & Innovation Portal Quarterly Report – First Quarter FY 2020/21

The City Auditor launched the Trust and Innovation Portal (TIP), an online tool designed to encourage residents and employees to:

1. Report suspected cases of improper activity in City operations; and
2. Share innovative ideas about improving City services.

The TIP portal can be accessed at www.beverlyhills.org/TIP; tips or innovative ideas can be submitted at TIP@beverlyhills.org; or at (310) 285-2TIP.

In order to keep the City Council, City employees, and residents informed, this report summarizes the number of TIP submissions received, cases reviewed, investigative statuses, and case outcomes. This report covers TIP activity from July 1, 2020 to September 30, 2020, which is broken down by TIP submission type regarding potential improper activity, innovative ideas to improve City operations, and public comments. Tables 1 and 2 on the following page provide a summary of all active Trust & Innovation Portal submissions to date. Table 7 provides a summary of all reports of improper activity that are currently under review, while Table 9 provides a summary of all innovation ideas that are currently under review. Table 10 is a summary of the public comments that were received via the Trust and Innovation Portal during the first quarter of FY 2020/21.

Reports Received in the First Quarter of FY 2020/21

During the first quarter of Fiscal Year 2020/21, July 1, 2020 through September 30, 2020, the Office of the City Auditor received a total of 15 TIP submissions.

- 8 TIP submissions concerning improper activity (Tables 3, 6, and 7)
- 7 TIP submissions concerning innovative ideas (Tables 4, 5, 8, and 9)

The Office of the City Auditor has closed six of the eight cases regarding improper activity, and has concluded reviews on all seven innovative idea submissions.

First Quarter of FY 2020/21 in Review

- 8 tips concerning improper activity
  - 6 cases have been reviewed and closed
  - 1 case is currently awaiting department review
  - 1 case is currently under investigation

- 7 submissions regarding innovative ideas
  - 4 submissions have been reviewed and processed accordingly
  - 3 are public comments
### Table 1: Status of All Reports of Improper Activity as of 10/1/2020

<table>
<thead>
<tr>
<th>Status</th>
<th>Active on 7/1/2020</th>
<th>Received in 1st Quarter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports of Improper Activity</td>
<td>5</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Closed Reports</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Corrective Action</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>In Purview</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Out of Purview</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Request for Service/Assistance</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Substantiated</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Unfounded</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unsubstantiated</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Open Reports</strong></td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

### Table 2: Status of All Innovative Ideas as of 10/1/2020

<table>
<thead>
<tr>
<th>Status</th>
<th>Active on 7/1/2020</th>
<th>Received in 1st Quarter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Innovative Ideas</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Public Comments</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Closed Suggestions</strong></td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>In Purview</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Request for Service/Assistance</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Out of Purview</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Open Suggestions</strong></td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>
MEMORANDUM

### Table 3: Case Overview of Suspected Improper Activity First Quarter FY 2020/21

<table>
<thead>
<tr>
<th>Improper Activity</th>
<th>Number of Cases</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Request for Assistance</td>
</tr>
<tr>
<td>Abuse</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Fraud</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Waste</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous¹</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

¹ Miscellaneous refers to the cases that were received by the Trust and Innovation Portal as Reports of Improper Activity that are not classified as improper activity and thus, do not fall under Fraud, Waste, or Abuse.

### Table 4: Categories of Innovative Ideas to Improve City Government by Department First Quarter FY 2020/21

<table>
<thead>
<tr>
<th>Improvement Categories</th>
<th>Number of Submissions</th>
<th>Under Review</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Programs</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Community Character</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Economic Sustainability and Viability</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Enhancing Quality of Life</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Protecting City Assets</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reduce Costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Service Delivery</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Technology</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transparency and Accountability</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4</strong></td>
<td><strong>0</strong></td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

### Table 5: Public Comments by Department Received in the First Quarter FY 2020/21

<table>
<thead>
<tr>
<th>Ideas by Department</th>
<th>Number of Submissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>1</td>
</tr>
<tr>
<td>Public Works</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>
Summary of Suspected Cases of Improper Activity

Table 6 summarizes the eight reports that were closed during the first quarter of FY 2020/21. The table includes the incident type, the report number, the date the report was received, a general description of the report, the classification, and the current case status. We should note that California state law limits the amount of information that can be disclosed concerning improper activity complaints.²

Table 6: Suspected Cases of Improper Activity That Are Closed

<table>
<thead>
<tr>
<th>No.</th>
<th>Incident Type</th>
<th>Allegation</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Classification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Waste</td>
<td></td>
<td>RIA 2020-20</td>
<td>2/28/2020</td>
<td>Substantiated</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A report alleging management override of internal controls related to Police Department training expenditures and purchase card transactions. Individuals are no longer employed with the City.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-23</td>
<td>4/1/2020</td>
<td>Request for Service/Assistance</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>An allegation regarding a business that was not adhering to the City’s COVID-19 ordinance. The report was forwarded to the Community Development Department. Code Enforcement visited the business and only found the business owner present. On subsequent visits, they found no business activity. The case has now been closed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-30</td>
<td>7/2/2020</td>
<td>Substantiated</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>An allegation of a restaurant that was not adhering to the City and County guidelines related to COVID-19. The report was forwarded to the Community Development Department for review. Code Enforcement found that the business had a table layout that did not meet the OpenBH requirements. The business owner is now in contact with the City’s Economic Development Manager to develop a new table layout.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

² The City’s Trust & Innovation Portal is operated pursuant to California Government Code §53087.6. The Statute requires that investigations conducted pursuant to its authority be confidential except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees, shall be kept confidential.
<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>RIA No.</th>
<th>Date</th>
<th>Type</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Abuse</td>
<td>RIA 2020-31</td>
<td>7/3/2020</td>
<td>Unsubstantiated</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reporting party raised concerns about the appropriateness of PAC spending during the most recent election. The caller reported that he had done his own investigation, but did not provide any evidence of improper activity.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Miscellaneous</td>
<td>RIA 2020-33</td>
<td>7/8/2020</td>
<td>Request for Service/Assistance</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>An allegation regarding a business that was not adhering to the City’s COVID-19 ordinance. The report was forwarded to the Community Development Department. Code Enforcement visited the location which was allowed to operate as open air dining on the outside balcony. During their two visits, they focused on enforcement education for restaurant management. Routine and regular patrols in the area continue to date as part of the City’s proactive COVID-19 enforcement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Miscellaneous</td>
<td>RIA 2020-34</td>
<td>7/15/2020</td>
<td>Request for Service/Assistance</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A request to determine whether a business that was open was adhering to the City and County guidelines related to COVID-19. After review of the ordinances and the business categorization, the business was in fact adhering to the guidelines and was allowed to operate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Abuse</td>
<td>RIA 2020-36</td>
<td>7/22/2020</td>
<td>Unsubstantiated</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>An allegation of Police Department staff creating an outdoor gym. After inspection, there was no gym equipment outside, although the Los Angeles County ordinance does allow outdoor activity. The Beverly Hills Police Department does encourage its employees to exercise in formats that comply with the COVID-19 ordinances.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous</td>
<td>RIA 2020-37</td>
<td>7/23/2020</td>
<td>Request for Service/Assistance</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A allegation regarding a resident conducting business from their home. The report was forwarded to the Community Development Department.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Code Enforcement visited the location and interviewed the occupant, which was not the tenant at the time but a self-described babysitter with two toddlers. Two subsequent re-inspections were made and no one appeared to be home as there was no answer at the door. An evening follow-up inspection was performed and no visible activity was observed to believe operation of a home occupation. Two other tenants were interviewed and asked if they were aware of such activity and both tenants stated they were not aware and had not seen such activity. The case has now been closed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Status of Reports of Improper Activity Under Review for FY 2020/21

Table 7 summarizes the reports of improper activity that are currently under review, including those received in the first quarter. These reports will be presented to the Audit and Finance Committee in order to provide updates and to receive further direction. The table includes the department, the report number, the date the report was received, a general description of the report, and the current status.

Table 7: Reports of Improper Activity Under Review FY 2020/21

<table>
<thead>
<tr>
<th>No.</th>
<th>Incident Type</th>
<th>Allegation</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Abuse</td>
<td></td>
<td>RIA 2020-24</td>
<td>5/30/2020</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-25</td>
<td>5/31/2020</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>3</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-26</td>
<td>5/31/2020</td>
<td>Under Review</td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>4</td>
<td>Abuse</td>
<td></td>
<td>RIA 2020-32</td>
<td>7/5/2020</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-38</td>
<td>9/3/2020</td>
<td>Under Review</td>
</tr>
</tbody>
</table>

The reporting party alleged improper behavior by a Police Department Officer during the recent protests. After repeated messages for information on the unidentified employee, the reporting party did not return our calls to provide additional information to identify the employee. We forwarded the complaint to the Police Department for their review and the report is currently under investigation.

A report that included a news clip pertaining to the civil unrest that occurred in the City on 5/30/2020. The information received was forwarded to the Beverly Hills Police Department for further review.

A report that included a photograph pertaining to the civil unrest that occurred in the City on 5/30/2020. The information received was forwarded to the Beverly Hills Police Department for further review.

The reporting party alleged improper use of force by the Beverly Hills Police Department during the recent protests. We forwarded the complaint to the Police Department for their review.

The reporting party alleged that he is being targeted by Code Enforcement.
Summary of Innovative Ideas to Improve City Government

Table 8 summarizes the seven innovative ideas that are now closed or were referred to the appropriate department for action. The table includes the department, the report number, the date the suggestion was received, a general description of the suggestion, the classification, and the current status of the suggestion.

Table 8: Innovative Ideas to Improve City Government That Are Closed

<table>
<thead>
<tr>
<th>No.</th>
<th>Department</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Classification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community</td>
<td>SIG 2019-03</td>
<td>9/20/2019</td>
<td>In Purview</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A suggestion to use the Trust & Innovation Portal for reports made to the Beverly Hills Police Department form currently used for comments, complaints, and commendations.

This suggestion was forwarded to the Police Department for review and their webpage has now been updated to reflect the suggested change. The TIP link can be viewed on the Beverly Hills Police Department Comments, Complaints, and Commendations page here.

<table>
<thead>
<tr>
<th>2</th>
<th>Community</th>
<th>SIG 2019-13</th>
<th>11/19/2019</th>
<th>Request for Service/Assistance</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

An anonymous concern regarding the Dial-A-Ride Shuttle Program call hold times, the amount of dispatchers and drivers, pick up locations, and generally the program not being used to its maximum capacity as it once was for residents.

This suggestion was forwarded to the Community Development Department for review. As per their review, the Shuttle program, which is contracted through MV Transportation (MVT), changed to the Automatic Call Distributor (ACD) telephone software system that answers and routes incoming calls in April 2020. The ACD system will allow MVT to track incoming calls, call times, average hold times, average call times, and the number of calls in queue at any requested time period. Along with their monthly performance report, going forward MVT will include a summary report of ACD activity.

<table>
<thead>
<tr>
<th>3</th>
<th>Citywide</th>
<th>SIG 2020-35</th>
<th>6/20/2020</th>
<th>Out of Purview</th>
<th>Closed</th>
</tr>
</thead>
</table>

A concern related to understanding the guidelines for selecting and appointing a commissioner. After review, this submission was out of purview as the incident occurred 32 years ago and did not involve the City of Beverly Hills.
The reporting party suggested that the Beverly Hills Police Department control staffing is not efficient or cost effective based on the number of officers assigned to vehicles.

After discussion with Beverly Hills Police Department Management, staffing practices in the early morning hours are subject to the Watch Commander’s decision. In the City, normal practice is to assign one officer per vehicle. Two officers may be assigned to one vehicle if there is a rookie paired with a Field Training Officer. Past practices had evening shift officers pair up after midnight. Officers are not automatically paired as assignments are based on employee availability and adequate patrol coverage throughout the City.

A resident requesting assistance with paying their parking permit as the website was not granting them access to do so.

This request was forwarded to Public Works and a staff member reached out to the resident to assist them in setting up a parking account in order to renew their parking permit online.

A request from a salon within the City as to how they could become approved to conduct business outdoors.

We responded with information on the City’s OpenBH application process. Policy and Management also followed up and provided them with additional information and assistance.

A submission related to potholes on City streets, but the submitting party confused Beverly Hills, CA and Beverly Hills, TX and was therefore out of purview.
MEMORANDUM

Status of Innovative Ideas Under Review for FY 2020/21

Table 9 summarizes the innovative ideas that are currently under review. These ideas will be presented to the Audit and Finance Committee in order to provide updates and to receive further direction. The table includes the department, the report number, the date the suggestion was received, a general description of the suggestion, and the current status of the suggestion.

Table 9: Innovative Ideas to Improve City Government Under Review FY 2020/21

<table>
<thead>
<tr>
<th>No.</th>
<th>Department Suggestion Outcome</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Classification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Services</td>
<td>SIG 2019-01</td>
<td>Received prior to TIP launch</td>
<td>In Purview</td>
<td>Open</td>
</tr>
<tr>
<td></td>
<td>A review and cost analysis of the Park Ranger Program was submitted with options to cut costs by utilizing ambassadors to patrol parks or by increasing training programs. The Community Services Department is preparing a written report of their review of the analysis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Community Development</td>
<td>SIG 2019-09</td>
<td>11/15/2019</td>
<td>Request for Assistance/Service</td>
<td>Open</td>
</tr>
<tr>
<td></td>
<td>A concern about traffic safety in the City related to traffic control signs that are being violated and not enforced on the corner of Elevado Ave. and Doheny Rd. This concern was forwarded to the Police Department and after their review, it was forwarded to the Community Development Transportation Division for further analysis of the intersection.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Citywide</td>
<td>SIG 2019-11</td>
<td>11/18/2019</td>
<td>In Purview</td>
<td>Open</td>
</tr>
<tr>
<td></td>
<td>A suggestion to update the City’s address database in order to save costs as multiples of the same mailer are being received by residents. This suggestion was forwarded to the City Manager and the Information Technology Department for review and we are awaiting their response.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A suggestion to create a simple way for residents to opt out of duplicate emergency notifications. This suggestion was forwarded to the Emergency Operations Center Management.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 10 summarizes the public comments that were received in the first quarter via the Trust and Innovation Portal. The table includes the department it references, the report number, and the date the suggestion was received.

**Table 10: Public Comments Received via the Trust and Innovation Portal**

<table>
<thead>
<tr>
<th>No.</th>
<th>Department</th>
<th>Report Number</th>
<th>Date Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Development</td>
<td>SIG 2020-38</td>
<td>7/30/2020</td>
</tr>
<tr>
<td></td>
<td>Resident concerned over the rent assistance program the City is considering and is wondering what criteria rent stabilization will use to determine qualifications, and exactly how applicants will be held accountable to the information that they are providing. This concern was forwarded to Rent Stabilization and per their response the criteria they are considering is: residents in RSO units, established low income qualifications identified by HUD, income would be evaluated from the 30 days immediately proceeding the Application for rent subsidy, limited to small landlords, Mom/Pops, both Tenants and Landlords will need to establish feasibility of continued occupancy; and priority to households with children in BHUSD.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Other</td>
<td>SIG 2020-41</td>
<td>8/26/2020</td>
</tr>
<tr>
<td></td>
<td>An anonymous submission of a GoFundMe fundraiser link.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Public Works</td>
<td>SIG 2020-43</td>
<td>9/12/2020</td>
</tr>
<tr>
<td></td>
<td>Resident commented that there should be waste containers in areas where commercial businesses meet residential areas, specifically San Vicente and La Cienega. We forwarded this comment to Public Works and a staff member contacted the resident and added two waste receptacles in the area.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Trust & Innovation Portal Quarterly Report

Second Quarter FY 2020/21

OFFICE OF THE CITY AUDITOR

Eduardo Luna, City Auditor
About the Trust & Innovation Portal:

The Office of the City Auditor manages the City’s Trust & Innovation Portal (TIP). TIP is an online tool designed to encourage residents and employees to:

1) Share innovative ideas about improving City services; and
2) Report suspected cases of improper activity in City operations.

TIP enhances trust by safeguarding public monies and resources and holding City officials and employees accountable as stewards.

Per the City of Beverly Hills Municipal Code Title 2, Chapter 3, Article 13, effective 10-6-2017, City Auditor duties include investigating allegations of fraud, abuse, or illegal acts.

TIP is operated pursuant to California Government Code §53087.6. California Government Code §53087.6 establishes the City Auditor’s authority to maintain a whistleblower hotline to receive information regarding fraud, waste or abuse. The Statute defines fraud, waste, or abuse as, “any activity by a local agency or employee that is undertaken in the performance of the employee’s official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.”

The City Auditor will maintain confidentiality to the greatest extent possible of all complaints, associated reports, working papers, and other documents. Similarly, Departments investigating allegations shall also maintain the confidentiality of all complaints.

The City of Beverly Hills will not retaliate, nor will it tolerate retaliation, against those who, in good faith report suspected wrongdoing or who participate in an investigation of wrongdoing. An act of retaliation should be reported immediately to the City Auditor. In addition, those who bring matters to the Office of the City Auditor are protected through the state Whistleblower Protection Act.

The City Auditor reviews all non-fraud related complaints made to TIP and makes a determination as to the appropriate referral. The City Auditor refers all complaints pertaining to employee relations, discrimination, harassment, and personnel related complaints to the Human Resources Department Director. In other cases, non-fraud related complaints are referred to the City Manager or his designee for further review and investigation. The City Auditor sends the affected Department Director a memorandum notifying him or her of the complaint, requesting a response, and, if necessary, advise of the process for resolving the complaint. The Office of the City Auditor ensures, through monitoring and reminders to the designated Department head, that timely investigative and resolution activities are undertaken in response to complaints received through the portal.
Definitions

Terms used in this report are defined as follows:

**Abuse** – Official City action that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary under the circumstances.

**Corrective Action** – Action taken to remedy an allegation or situation.

**Fraud** – Any intentional act or omission designed to deceive others, resulting in the victim (City of Beverly Hills) suffering a loss and/or the perpetrator achieving a personal gain.

**Out of Purview** – Not within the jurisdiction of the City of Beverly Hills.

**Substantiated** – A preponderance of the evidence established that the allegation is true.

**Unfounded** – A preponderance of the evidence established that the allegation is or without merit.

**Unsubstantiated** – There is insufficient evidence to determine whether the alleged conduct occurred.

**Waste** – The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of City resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.
The City Auditor launched the Trust and Innovation Portal (TIP), an online tool designed to encourage residents and employees to:

1. Report suspected cases of improper activity in City operations; and
2. Share innovative ideas about improving City services.

The TIP portal can be accessed at [www.beverlyhills.org/TIP](http://www.beverlyhills.org/TIP); tips or innovative ideas can be submitted at TIP@beverlyhills.org; or at (310) 285-2TIP.

In order to keep the City Council, City employees, and residents informed, this report summarizes the number of TIP submissions received, cases reviewed, investigative statuses, and case outcomes. This report covers TIP activity from October 1, 2020 to December 31, 2020, which is broken down by TIP submission type regarding potential improper activity, innovative ideas to improve City operations, and public comments. Tables 1 and 2 on the following page provide a summary of all active Trust & Innovation Portal submissions to date. Table 7 provides a summary of all reports of improper activity that are currently under review, while Table 9 provides a summary of all innovation ideas that are currently under review. Table 10 provides a summary of the public comments that were received via the Trust and Innovation Portal during the second quarter of FY 2020/21.

**Reports Received in the Second Quarter of FY 2020/21**

During the second quarter of Fiscal Year 2020/21, October 1, 2020 through December 31, 2020, the Office of the City Auditor received a total of eleven TIP submissions.

- 8 TIP submissions concerning improper activity (Tables 3, 6, and 7)
- 3 TIP submissions concerning innovative ideas (Tables 4, 5, 8, and 9)

The Office of the City Auditor has closed three of the eight cases regarding improper activity, and has concluded reviews on all three innovative idea submissions.

**Second Quarter of FY 2020/21 in Review**

- 8 tips concerning improper activity
  - 3 cases have been reviewed and closed
  - 4 cases are currently awaiting department review
  - 1 case is currently under investigation

- 3 submissions regarding innovative ideas
  - 1 submission has been reviewed and processed accordingly
  - 2 are public comments
MEMORANDUM

Table 1: Status of All Reports of Improper Activity as of 1/1/2021

<table>
<thead>
<tr>
<th>Status</th>
<th>Active on 10/1/2020</th>
<th>Received in 2nd Quarter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports of Improper Activity</td>
<td></td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>Closed Reports</td>
<td></td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Corrective Action</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>In Purview</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Out of Purview</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Request for Service/Assistance</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Substantiated</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unfounded</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unsubstantiated</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Open Reports</strong></td>
<td><strong>5</strong></td>
<td><strong>5</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

Table 2: Status of All Innovative Ideas as of 1/1/2021

<table>
<thead>
<tr>
<th>Status</th>
<th>Active on 10/1/2020</th>
<th>Received in 2nd Quarter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Innovative Ideas</td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Public Comments</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Closed Suggestions</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In Purview</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Request for Service/Assistance</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Out of Purview</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Open Suggestions</strong></td>
<td><strong>3</strong></td>
<td></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>
Table 3: Case Overview of Suspected Improper Activity Second Quarter FY 2020/21

<table>
<thead>
<tr>
<th>Improper Activity</th>
<th>Number of Cases</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Request for Assistance</td>
</tr>
<tr>
<td>Abuse</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Fraud</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Waste</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous¹</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>1</td>
</tr>
</tbody>
</table>

¹ Miscellaneous refers to the cases that were received by the Trust and Innovation Portal as Reports of Improper Activity that are not classified as improper activity and thus, do not fall under Fraud, Waste, or Abuse.

Table 4: Categories of Innovative Ideas to Improve City Government by Department Second Quarter FY 2020/21

<table>
<thead>
<tr>
<th>Improvement Categories</th>
<th>Number of Submissions</th>
<th>Under Review</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Programs</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Community Character</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Economic Sustainability and Viability</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Enhancing Quality of Life</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Protecting City Assets</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reduce Costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Service Delivery</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Technology</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transparency and Accountability</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 5: Public Comments by Department Received in the Second Quarter FY 2020/21

<table>
<thead>
<tr>
<th>Ideas by Department</th>
<th>Number of Submissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and Management</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
</tr>
</tbody>
</table>


Summary of Suspected Cases of Improper Activity

Table 6 summarizes the reports of improper activity that were closed during the second quarter of FY 2020/21. The table includes the incident type, the report number, the date the report was received, a general description of the report, the classification, and the current case status. We should note that California state law limits the amount of information that can be disclosed concerning improper activity complaints.²

Table 6: Suspected Cases of Improper Activity That Are Closed

<table>
<thead>
<tr>
<th>No.</th>
<th>Incident Type</th>
<th>Allegation</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Classification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Abuse</td>
<td>Abuse</td>
<td>RIA 2020-39</td>
<td>10/2/2020</td>
<td>Unsubstantiated</td>
<td>Closed</td>
</tr>
<tr>
<td>2</td>
<td>Miscellaneous</td>
<td>Miscellaneous</td>
<td>RIA 2020-41</td>
<td>10/12/2020</td>
<td>Request for Service/Assistance</td>
<td>Closed</td>
</tr>
<tr>
<td>3</td>
<td>Miscellaneous</td>
<td>Miscellaneous</td>
<td>RIA 2020-43</td>
<td>10/26/2020</td>
<td>Unsubstantiated</td>
<td>Closed</td>
</tr>
</tbody>
</table>

An allegation of two large events that were being planned for a retiring police officer at the City and at a private residence.

The report was forwarded to the City Manager. After review, the normal “Coffee and Cake” was to be held socially distanced and with masks in a City facility. It is management’s understanding that there was no event held at a private residence.

A report of two portable restrooms being unsightly placed in front of a resident’s home.

The report was forwarded to Code Enforcement. After multiple unsuccessful attempts to reach the reporting party for further information, the case was closed.

An allegation of someone using fraudulent EDD funds while shopping in Beverly Hills.

This report was forwarded to the Beverly Hills Police Department (BHPD). The BHPD has not had contact with this subject but will be on the lookout within the business district and will act accordingly if they have probable cause to do so. We should note that since September 3rd, 2020, the BHPD has arrested 44 individuals within the City of Beverly Hills responsible for EDD fraud and identity theft.

² The City’s Trust & Innovation Portal is operated pursuant to California Government Code §53087.6. The Statute requires that investigations conducted pursuant to its authority be confidential except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees, shall be kept confidential.
Table 7 summarizes the reports of improper activity that are currently under review, including those received in the second quarter. These reports will be presented to the Audit and Finance Committee in order to provide updates and to receive further direction. The table includes the incident type, the report number, the date the report was received, a general description of the report, and the current case status.

Table 7: Reports of Improper Activity Under Review FY 2020/21

<table>
<thead>
<tr>
<th>No.</th>
<th>Incident Type</th>
<th>Allegation</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Abuse</td>
<td></td>
<td>RIA 2020-24</td>
<td>5/30/2020</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The reporting party alleged improper behavior by a BHPD officer during the recent protests. After repeated messages for information on the unidentified employee, the reporting party did not return our calls to provide additional information to identify the employee. We forwarded the complaint to the BHPD for their review and the report is currently under investigation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-25</td>
<td>5/31/2020</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A report that included a news clip pertaining to the civil unrest that occurred in the City on 5/30/2020. The information received was forwarded to the BHPD for further review.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-26</td>
<td>5/31/2020</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A report that included a photograph pertaining to the civil unrest that occurred in the City on 5/30/2020. The information received was forwarded to the BHPD for further review.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Abuse</td>
<td></td>
<td>RIA 2020-32</td>
<td>7/5/2020</td>
<td>Under Review</td>
</tr>
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<td></td>
<td>The reporting party alleged improper use of force by the BHPD during the recent protests. We forwarded the complaint to the BHPD for their review.</td>
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<tr>
<td>5</td>
<td>Miscellaneous</td>
<td></td>
<td>RIA 2020-38</td>
<td>9/3/2020</td>
<td>Under Review</td>
</tr>
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<td></td>
<td>The reporting party alleged that he is being targeted by Code Enforcement.</td>
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<td>6</td>
<td>Abuse</td>
<td></td>
<td>RIA 2020-40</td>
<td>10/5/2020</td>
<td>Under Review</td>
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<td>The reporting party alleged mistreatment of people of color by the BHPD. We forwarded the complaint to the BHPD for their review and the report is currently under investigation.</td>
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<tr>
<td>7</td>
<td>Abuse</td>
<td></td>
<td>RIA 2020-42</td>
<td>10/13/2020</td>
<td>Under Review</td>
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<td></td>
<td>The reporting party alleged a police officer made derogatory remarks regarding people of color and that the Rodeo Drive Task Force is targeting people of color. We forwarded the complaint to the BHPD for their review and the report is currently under investigation.</td>
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</table>
CITY OF BEVERLY HILLS
OFFICE OF THE CITY AUDITOR

MEMORANDUM

8 Abuse RIA 2020-44 11/6/2020 Under Review
The reporting party alleged a police officer made derogatory remarks regarding people of color. We forwarded the complaint to the BHPD for their review and the report is currently under investigation.

9 Abuse RIA 2020-45 11/19/2020 Under Review
The reporting party alleged a police officer made derogatory remarks regarding people of color. We forwarded the complaint to the BHPD for their review and the report is currently under investigation.

10 Abuse RIA 2020-46 12/19/2020 Under Review
An allegation of a Code Enforcement officer citing someone on private property. We forwarded the report to Community Development for review.

Summary of Innovative Ideas to Improve City Government

Table 8 summarizes the innovative ideas that are now closed or were referred to the appropriate department for action. The table includes the department, the report number, the date the suggestion was received, a general description of the suggestion, the classification, and the current status of the suggestion.

Table 8: Innovative Ideas to Improve City Government That Are Closed

<table>
<thead>
<tr>
<th>No.</th>
<th>Department Suggestion</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Classification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Services</td>
<td>SIG 2019-01</td>
<td>Received prior to TIP launch</td>
<td>In Purview</td>
<td>Closed</td>
</tr>
</tbody>
</table>

A review and cost analysis of the Park Ranger Program was submitted with options to cut costs by utilizing ambassadors to patrol parks or by increasing training programs.

The suggestion was forwarded to the Community Services department who created a written report of their review of the report. The response concluded that money might be saved by contracting out park ranger jobs. However, the process required might not allow it to be done. The response also concluded that there is always room for improved performance and more enhanced training opportunities.
Table 9 summarizes the innovative ideas that are currently under review. These ideas will be presented to the Audit and Finance Committee in order to provide updates and to receive further direction. The table includes the department, the report number, the date the suggestion was received, a general description of the suggestion, and the current status of the suggestion.

Table 9: Innovative Ideas to Improve City Government Under Review FY 2020/21

<table>
<thead>
<tr>
<th>No.</th>
<th>Department Suggestion</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Classification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Development</td>
<td>SIG 2019-09</td>
<td>11/15/2019</td>
<td>Request for Assistance/Service</td>
<td>Open</td>
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<td></td>
<td>A concern about traffic safety in the City related to traffic control signs that are being violated and not enforced on the corner of Elevado Ave. and Doheny Rd.</td>
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<td></td>
<td>This concern was forwarded to the Police Department and after their review, it was forwarded to the Community Development Transportation Division for further analysis of the intersection and it remains under review.</td>
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<td>2</td>
<td>Citywide</td>
<td>SIG 2019-11</td>
<td>11/18/2019</td>
<td>In Purview</td>
<td>Open</td>
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<td></td>
<td>A suggestion to update the City’s address database in order to save costs as multiples of the same mailer are being received by residents.</td>
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<td>This suggestion was forwarded to the City Manager and the Information Technology Department for review and we are awaiting their response.</td>
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<td>A suggestion to create a simple way for residents to opt out of duplicate emergency notifications.</td>
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<td></td>
<td>This suggestion was forwarded to the Emergency Operations Center Management.</td>
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</tbody>
</table>
Table 10 summarizes the public comments that were received in the second quarter via the Trust and Innovation Portal. The table includes the department it references, the report number, and the date the suggestion was received.

Table 10: Public Comments Received via the Trust and Innovation Portal

<table>
<thead>
<tr>
<th>No.</th>
<th>Department</th>
<th>Report Number</th>
<th>Date Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Policy and Management</td>
<td>SIG 2020-45</td>
<td>11/16/2020</td>
</tr>
</tbody>
</table>

After a shopping trip was cut short in the City due to many people being unmasked, a suggestion was made to more strictly enforce the mask policies to encourage people to safely shop and save businesses.

A response from City Management let the reporting party know that the City of Beverly Hills has issued more citations related to masks than the County of Los Angeles. The response also noted that the Code Enforcement Officers, Rangers, and Ambassadors continue to pass out masks and educate the public.

| 2   | Policy and Management       | SIG 2020-46   | 12/9/2020     |

A comment stating that the City should not drive Williams-Sonoma out by raising rents as losing Williams-Sonoma would be a huge loss to the City. The City should not lease to Erewhon or any other tenant as they will not bring the kind of business the City needs.

Our office reviewed the Williams-Sonoma lease. In the last lease negotiation in 2014, both the City and the tenant (Williams-Sonoma) agreed that the lease would not be renewed after its termination on January 31, 2021.