

[PalmBeachPost.com](http://PalmBeachPost.com)

 PRINT THIS

## Convention bureau's tax bill won't go away

By [Christine Stapleton, Jennifer Sorentrve And Deana Poole](#)

Palm Beach Post Staff Writers

Wednesday, November 15, 2006

WEST PALM BEACH — A new CEO will be found. The books will be balanced. The crime will be explained. But no one knows who will or should pay \$750,000 in unpaid payroll taxes and the tens of thousands of dollars in penalties and interest growing daily as the crisis at the county's Convention and Visitors Bureau continues.

"The IRS problem, that is huge," said Sharon Bock, Palm Beach County's clerk and comptroller, whose office began an audit of the bureau's books after an employee confessed to embezzling \$1.5 million to pay her online gambling debts. Of that, a preliminary review showed that \$750,000 should have been paid to the Internal Revenue Service for payroll taxes, and the amount could be higher.

More local news

[Latest breaking news](#), photos and all of today's *Post* stories.

[State news](#)

**Storm 2006:**[Hurricane news](#)

[Sound off in the forum](#)

[Columnists](#)

[Crime, live scanners](#)

[Photos](#) | [Special reports](#)

[Weather](#) | [Traffic](#) | [Obituaries](#)

As of Nov. 7, the bureau had less than \$52,200 in its bank accounts.

The annual interest rate on unpaid taxes is about 11 percent. On top of that is the penalty for not filing and not paying - another 5.5 percent for each month that the return was late, not to exceed 25 percent. Both interest and penalties are retroactive.

Although Donna Duffer, the bureau's former controller, admitted to taking the money over three years, it appears that she failed to pay the bureau's payroll taxes only in 2006, said James Stuber, the bureau's outside attorney.

The IRS can reduce the penalties if it finds "reasonable cause" for nonpayment. But the interest won't be waived. Someone must pay.

"This is the mother lode of all problems," said Palm Beach certified public accountant Richard Rampell. "To the IRS, this is the No. 1 most egregious, bad tax behavior, worse than bad tax shelters or mishandling of trust funds. ... This is really, really serious."



Those in the failed chain of responsibility are learning that the IRS can recoup unpaid taxes, interest and penalties from any "responsible person" who "willfully" fails to collect and pay them. To the IRS, a "responsible person" is someone "who has the duty to perform and the power to direct the collecting, accounting and paying" of taxes. No "evil intent or bad motive" is required for willful failure to pay.

That means the IRS could go after the personal assets of Duffer, former Finance Director Lee Davis, former CEO Warren "Mac" McLaughlin and the 31 members of the board. Filing for bankruptcy does not prevent the agency from collecting, and homes are fair game.

"There is a pecking order," IRS spokesman Mike Dobzinski said.

The accounting firm Cass, Levy & Leone, hired to conduct a forensic audit for the county, has contacted the IRS about the unpaid taxes, Stuber said. The IRS had agreed to give the firm 60 days to explain what happened.

"Our informal advice from Cass, Levy & Leone, in a criminal situation like this, (is) the IRS will waive the penalties," Stuber said.

Other experts are not as sure. In this case, the bureau's audits in 2004 and 2005 revealed major accounting problems. The IRS may consider whether the bureau took the advice of auditors and implemented internal controls that could have prevented Duffer's scheme.

"You can ask them to abate some of the penalty," said Michael Lampert, a board-certified tax lawyer in West Palm Beach. "When you've got an audit warning and you do nothing? Maybe they will; maybe they won't."

Duffer, who confessed to forging about 200 checks, has not been charged. West Palm Beach police continue to investigate, and she has agreed to talk to a forensic auditor for Palm Beach County, which supports the bureau with millions of dollars raised by the county's bed tax.

Palm Beach County now faces two options: Help the bureau or let it solve its own problems.

Bock said preliminary legal research done in her office indicates that tax dollars cannot be used to pay the bureau's tax bill. The county attorney's office also is researching the matter.

Casey Steinbacher, vice chairman of the bureau's executive committee, said the 12-member group will be briefed on the IRS payment today. Board members have been told by their attorney not to discuss the shortfall.

"We are very confident that we have avenues to pay the debt," Steinbacher said. "We are very confident the IRS will work with us. We have good legal counsel that will work us through that process. We will be able to resolve this situation eventually. The question just becomes when and how long."

County Commissioner Burt Aaronson said he's been told by at least one member of the bureau's executive committee that the organization would not ask the county for money to pay off the debt.

Commissioner Warren Newell said the bureau's board needs to "look internally first to solve their problems financially."

"I think the most important thing is that they need to figure out how to recover the money that was lost

from the people who stole the money," Newell said.

Duffer's attorney said Duffer has spent all of the money she stole.

**Find this article at:**

[http://www.palmbeachpost.com/localnews/content/local\\_news/epaper/2006/11/15/s1a\\_CVB\\_IRS\\_1114.html](http://www.palmbeachpost.com/localnews/content/local_news/epaper/2006/11/15/s1a_CVB_IRS_1114.html)

Check the box to include the list of links referenced in the article.