

# Tourism Marketing and Promotion

The Department of Commerce

18P-03 Performance Audit Presented 11/2019

## Introduction

- Travel and tourism-related activities provide economic growth opportunities for states.
- Many states direct resources towards public tourism promotion to attract out-of-state visitors.
- The Department of Commerce is responsible for marketing and promoting the state.

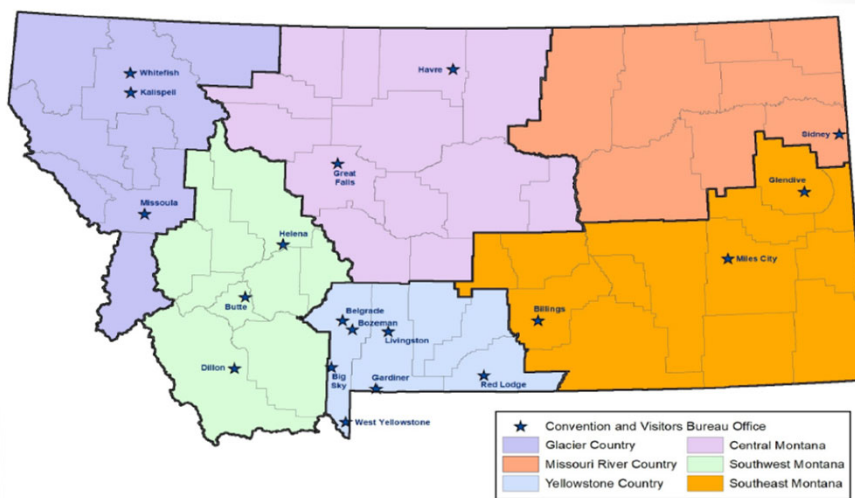
18P-03 Performance Audit Presented 11/2019

# Introduction

- The department uses its share of the four percent Lodging Facility Use Tax—the bed tax—for tourism and film promotion—nearly \$17 million in FY17.
- The department contracts with an advertising agency to market and promote the state—over \$10 million expended annually since 2016.
- The department administers a grant program to fund projects to develop the state’s tourism industry—over \$6 million from FY08-17.

18P-03 Performance Audit Presented 11/2019

# Tourism Regions



18P-03 Performance Audit Presented 11/2019

## Findings and Recommendations

- Selection and Oversight of Statewide Marketing Contract
- The Effectiveness of Marketing Activities
- Grant Award Review and Award Process
- Distribution and Oversight of Bed Tax Funding

18P-03 Performance Audit Presented 11/2019

## State Marketing Contract

- State marketing contract received significant public scrutiny.
- The department established an RFP process in 2016 to evaluate prospective respondents.
- The department took steps to address potential conflicts of interest.

18P-03 Performance Audit Presented 11/2019

## State Marketing Contract

- The department conducts an annual review process to assess the contractor's performance.
- Recent contract reviews have identified numerous performance concerns.

### **Conclusion**

- The department followed procurement best practices and actively manages the state marketing contract.

18P-03 Performance Audit - Presented 11/2019

## Research and Analysis

- Marketing organizations rely on accurate information to make informed decisions.
- The department contracts with a vendor to conduct studies of marketing activities.
- Common types of analysis includes tracking commercially available website traffic and credit card purchase data.

18P-03 Performance Audit - Presented 11/2019

## Research and Analysis

- Other states had similar or identical methods for conducting research and analysis.

### **Conclusion**

- The department conducts research and analysis common by industry standards to ensure tourism promotion activities are effective and bed tax expenditures impactful.

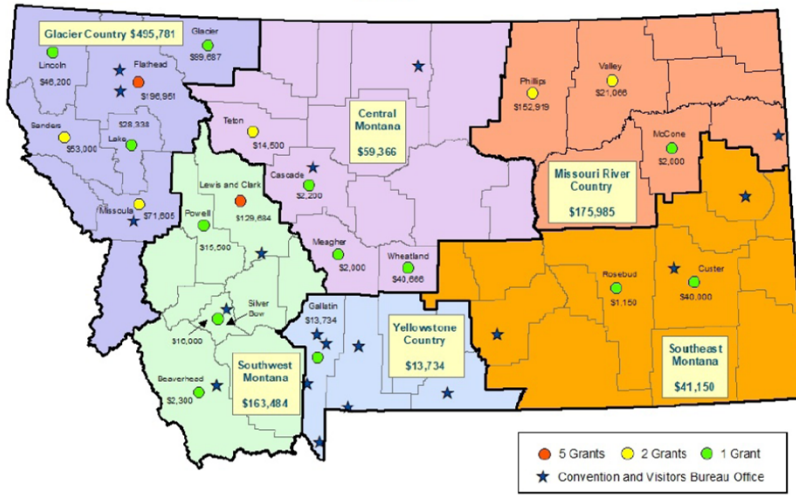
18P-03 Performance Audit Presented 11/2019

## Tourism Grants

- In FY17, the department received 78 applications and awarded 33 tourism grants for a total of \$949,500.
- Eligible organizations include registered nonprofits, tribal governments, and city or county governments.
- Applicants apply via an online process, with department staff reviewing the applications for eligibility and merit based on department policy.

18P-03 Performance Audit Presented 11/2019

# Tourism Grants



18P-03 Performance Audit Presented 11/2019

# Tourism Grants Selection

- Tourism grants are awarded without documented justification or rationale.
- Scores and documentation were not available for all applicants.
- Review scores were not the only factor in determining which grants to fund.

18P-03 Performance Audit Presented 11/2019

# Tourism Grants Selection

Available Initial Review Scores for Tourism Grants

Possible Initial Review Score	-4	-3	-2	-1	0	1	2	3	4
Number of Applicants Received Score	5	22	6	6	8	1	3	14	4
Number of Awarded Grants Received Score	0	1	0	1	3	0	2	13	4

18P-03 Performance Audit Presented 11/2019

# Tourism Grants Selection

Available Initial Review Scores for Tourism Grants

Possible Initial Review Score	-4	-3	-2	-1	0	1	2	3	4
Number of Applicants Received Score	5	22	6	6	8	1	3	14	4
Number of Awarded Grants Received Score	0	1	0	1	3	0	2	13	4

18P-03 Performance Audit Presented 11/2019

## Tourism Grants Selection

- Other state tourism grant programs have clear criteria for documenting grant award decisions.
- The department lacks procedures outlining documentation expectations.

### **Recommendation**

- Develop and implement procedures to document and support grant award and non-award decisions.

18P-03 Performance Audit Presented 11/2019

## Tourism Grants Evaluation

- Tourism grantees are required to submit a final report within one year of a project's completion.
- Other state tourism grant programs have defined processes to evaluate tourism grant programs.

### **Recommendation**

- Develop and implement a process to measurably evaluate the impact of tourism grants.

18P-03 Performance Audit Presented 11/2019



## Regional Oversight

- Regional organizations reported that the allocations of bed taxes is fair.
- Evaluation requirements are cumbersome and not easy to follow.
- Evaluation requirements are not a genuine exercise in assessing the effectiveness of marketing activities.

18P-03 Performance Audit Presented 11/2019

## Regional Oversight

- The department conducts financial audits on an annual basis.
- Tourism organizations submit annual marketing plans comprised of individual marketing methods.
- Tourism organizations are required to provide supporting research and submit evaluation reports.

18P-03 Performance Audit Presented 11/2019

## Regional Oversight

- The department does not ensure that marketing methods are consistently supported by research or evaluated.
- Current regulations do not clearly define expectations.

### **Recommendation**

- Revise, clarify, and enforce regulations for marketing method research and evaluation.

18P-03 Performance Audit Presented 11/2019

## Overall Documentation

- Tourism spending is not consistently documented.
  - Pilot grant program created without guidelines or support
  - Tourism organization financial reporting missing

### **Recommendation**

- Prioritize and require documentation of grant awards and required financial reporting.

18P-03 Performance Audit Presented 11/2019

Questions?

18P-03 Performance Audit