

**Colorado Office of the State Auditor
Colorado Tourism Office**

Agreed Upon Procedures Report

Fiscal Years Ended June 30, 2010 and 2009

**LEGISLATIVE AUDIT COMMITTEE
2010 MEMBERS**

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Description of the Colorado Tourism Office

The Colorado Tourism Office (CTO, Office) and its Board of Directors (Board) operate under Title 24, Article 49.7, C.R.S. Statute [Section 24-49.7-101, and 103 to 104, C.R.S.] directs the Board to implement the General Assembly's policy "to guide, stimulate and promote the coordinated, efficient, and beneficial development of tourism and travel in Colorado." Among other requirements, statute directs the Board to:

- Set and administer policies for expenditures related to travel and tourism development and promotional activities.
- Gather and disseminate statistical information regarding the economic effect of travel and tourism marketing.
- Operate Welcome Centers (currently 10) throughout the State.
- Contract for necessary services and ensure state funds are maximized to the fullest extent possible.

The Board consists of 15 members. Two are members of the House of Representatives (appointed by the Speaker and the Minority Leader of the House) and two are members of the Senate (appointed by the President and the Minority Leader of the Senate). The Governor appoints and the State Senate confirms the remaining 11 members, representing various tourism-based industries. All legislative members of the Board serve one-year terms and can be appointed to serve succeeding terms as long as they are members of the General Assembly. Non-legislative members serve four-year terms and can be reappointed for one additional four-year term.

The Board governs the CTO, and the Office is responsible, under the direction of the Board, for implementing policies outlined in statute to promote travel and tourism in Colorado. The CTO is organizationally located within the Governor's Office of Economic Development and International Trade (OEDIT). OEDIT provides some staff and administrative support, such as accounting assistance, to the CTO.

Accountants' Compilation Report

Legislative Audit Committee
and Colorado Tourism Office
Denver, CO

We have compiled the accompanying summary of revenues and expenditures and changes in fund balance for the fiscal years ending June 30, 2010 and 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

/s/ BKD, LLP

December 8, 2010

**Summary of Revenues and Expenditures
and Changes in Fund Balance
For the Fiscal Years Ending June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Revenues		
Transfers from Limited Gaming	\$ 14,208,015	\$ 15,578,699
Interest	675,466	2,478,516
Revenues		
Colorado Historical Society grants	--	124,171
Advertising royalties	159,296	116,667
Other	<u>734,314</u>	<u>270,986</u>
 Total revenues	 <u>15,777,091</u>	 <u>18,569,039</u>
 Expenditures		
Professional services		
Advertising, marketing and public relations	11,864,390	15,549,807
Publications, call center and website	1,382,648	1,537,404
International marketing promotions	1,513,779	1,541,107
Heritage tourism	452,141	511,311
Governor's tourism conference	121,105	193,582
Welcome centers	621,848	472,099
Transfers to the state fair	--	1,852,240
Research and education outreach	230,456	363,216
Administration and other	<u>399,864</u>	<u>405,515</u>
 Total expenditures	 <u>16,586,231</u>	 <u>22,426,281</u>
 Net Change in Fund Balance	 (809,140)	 (3,857,242)
 Fund Balance, Beginning of the Year	 <u>21,323,178</u>	 <u>25,180,420</u>
 Fund Balance, End of the Year	 <u>\$ 20,514,038</u>	 <u>\$ 21,323,178</u>

Independent Accountants' Report on Application of Agreed-Upon Procedures

Legislative Audit Committee
and Colorado Tourism Office
Denver, CO

We have performed the procedures enumerated in the attachment to this report, which were agreed to by the Colorado Tourism Office, solely to assist you with respect to compliance with Section 24-49.7-108, CRS for the years ended June 30, 2010 and 2009. The management of the Colorado Tourism Office is responsible for its financial statement elements, accounts and items. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts and items described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Legislative Audit Committee, the Colorado Office of the State Auditor and the Colorado Tourism Office and is not intended to be and should not be used by anyone other than these specified parties.

/s/ BKD, LLP

December 8, 2010

Performed Procedures

1. **Hold an entrance conference on or before August 1, 2010.**

We held an entrance conference on July 30, 2010, with representation from BKD, the Office of the State Auditor (OSA) and the Colorado Tourism Office (CTO) to discuss the 2009 performance audit and the preliminary logistics of this 2009 / 2010 agreed upon procedures engagement.

2. **Review Board Minutes.**

- a. *Obtain and read a sample of three monthly board minutes from each year (2010 and 2009) and associated board book material*
 - b. *Note any decision / action items for agreement as to:*
 - i. *Activities for consistency with the goals of the CTO (Article 24-49.7-101 et seq. C.R.S.)*
 - ii. *Changes in the nature of the CTO's programs*
-

We selected the following board books for review:

- August 2009
- September 2009
- April 2010

- August 2008
- November 2008
- March 2009

Decision and action items noted were consistent with the goals of the CTO and no changes in the nature of the CTO's programs were noted in these months.

3. **Review contracts between the CTO and its vendors.**

- a. *Select and obtain a sample of four of the CTO's vendor contracts from each fiscal year, 2010 and 2009.*
 - b. *Describe the stated approval process for contracts and review contracts to ensure appropriate approval and signatory*
-

Per our discussions with the CTO, the competitive bid process for these contracts was performed prior to either of the fiscal years subject to procedures, so we did not perform a review of any bidding evaluation. Per our review of the OEDIT's procurement processes, the Director of the OEDIT or the Governor's Office is required to approve contracts. In 2009, a CTO contract form was utilized that indicated the effective date in the opening paragraph of the contract and required signature of the vendor and the

Governor's Office. In 2010, the state standard contract form was adopted, requiring the State Controller's (or delegatee's) approval in addition to the vendor and Director of the OEDIT and the effective date was noted as the signature date of the State Controller on the contracts.

See **Recommendation #1.**

CTO provided a contract list for each of the fiscal years, 2010 and 2009. There were nine contracts listed for each year totalling \$14.6 million and \$18.7 million in contracted expenditures in 2010 and 2009, respectively. From these listings, we selected four contracts from each year as follows:

2010 Contracts

MMG Worldwide (Advertising and Public Relations) dated as signed on September 4, 2009, totalling \$12,082,324 for the period July 1, 2009, through June 30, 2010.

Weaver Multimedia Group dated as signed on September 14, 2009, totalling \$736,829 for the period July 1, 2009, through June 30, 2010.

MMG Worldwide (Web Services) dated as signed on September 14, 2009, totalling \$722,100 for the period July 1, 2009 through June 30, 2010.

Get it Across Marketing dated as signed on August 17, 2009, totalling \$287,700 for the period July 1, 2009, through June 30, 2010.

The Director of the OEDIT and the OEDIT Controller with delegated authority from the State Controller approved all of the 2010 contracts.

2009 Contracts

MMG Worldwide (Advertising and Public Relations) dated September 25, 2008, totalling \$15,667,658 for the period July 1, 2008, through June 30, 2009.

MMG Worldwide (Web Services) dated September 25, 2008, totalling \$910,000 for the period July 1, 2008, through June 30, 2009.

Weaver Multimedia Group dated July 1, 2008, totalling \$790,850 for the period July 1, 2008, through June 30, 2009.

AVIAREPS Marketing Garden Ltd. dated October 15, 2008, totalling \$326,000 for the period July 1, 2008, through June 30, 2009.

The chief of staff of the Governor's Office approved all of the 2009 contracts.

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- 4. Review annual operating budgets of the Office for Fiscal Years 2010 and 2009 and a comparison to actual revenue and expenditures.**
- a. Confirm that an initial budget was provided to the Board at the beginning of the fiscal year.*
 - b. Confirm that changes to the budget were communicated to the Board throughout the year.*
 - c. Compare actual revenues and expenditures to the budgets*
-

We noted budgets were provided to the Board through each of the board books for both the 2010 and 2009 Fiscal Years, with an initial action item noting approval of the following year's initial budget near the end of each of the preceding fiscal years. Subsequent changes are generally noted in the minutes as having been discussed, but are not reported as a decision item in the minutes. Because the budget is updated for changes throughout the year, a comparison to current year actual is not relevant as the budget is updated to reflect agreement with actual. Comparisons from current to prior year are made for reasonableness and assessment of change.

Possibilities the CTO could consider include a separate recurring section titled **Budget Review**, highlighting any changes reported in that period and obtaining and documenting the approval of those changes.

Negotiated contract approvals could also be included in the decision / action items summary or in a separate area. Alternatively, given the small number of major contracts, it may be appropriate to provide a list of contracts with their status with each board book, indicating items such as period of the contract, approved future periods from prior proposal approvals, timing of next planned request for proposal, gross amount of the contract and approval status.

While the reports indicate Fiscal Year 2009 actuals were compared to Fiscal Year 2010 budgets in the 2010 board books, the actual amounts from the general ledger system do not agree with the expenses reported (see total expenses for 2009 of \$22,426,281 compared to expenses reported in the June 2010 board book for 2009 of \$22,865,706.

See **Recommendation #2**.

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- 5. Determine that the Board is in compliance with the provisions of Article 24-49.7-101 et seq., C.R.S.**
-

From the board minutes reviewed along with the contract, revenue and expense testing performed, the activities of the CTO appear to be consistent with and in compliance with the provisions of Article 24-49.7-101 et seq., C.R.S.

-
- 6. Evaluate the manner in which the moneys from the travel and tourism promotion and the additional source fund are expended and whether such funds were spent in accordance with Article 24-49.7-101 et seq., C.R.S.**
- a. Specifically test by comparing a sample of expenditures to the limitations set forth in 24-49.7-106.: Colorado travel and tourism promotion fund—Colorado travel and tourism additional source fund—creation—nature of funds*
-

From the board minutes reviewed along with the contract, revenue and expense testing performed, the activities of the CTO appear to be consistent with and in compliance with the provisions of Article 24-49.7-101 et seq., C.R.S.

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- 7. Evaluate the internal controls over revenues and expenditures for the Office.**
- a. Develop an understanding of internal controls over revenue and expenses via*
- i. Testing performed in other steps*
 - ii. Inquiry*
 - iii. Process documentation*
- b. Describe the policies or significant components of the controls as noted.*
-

The CTO follows the procurement policies of the OEDIT. Generally, the program staff review and submit invoices to the Division Director of the CTO, who approves the invoice. The approved invoice is submitted to the accounting function of the OEDIT for processing. Accounting staff generate payment vouchers that the OEDIT Controller then approves. The State Controller's Office generates warrants or other payments payable and warrants (checks) or funds transfers are initiated. After the OEDIT accounting function obtains support for payment, the approved payment voucher, invoice support and payment support are attached to each other and filed.

With respect to revenue controls, as a result of the many changes to the Tourism Office over recent years, the revenue stream primarily consists of the lump sum end of year funding from the long-bill appropriation and interest allocations from the State Treasurer. The only other significant revenue during the year consists of sponsorship for the Governor's conference, advertising revenue share from the privatized contract and periodic grants from other organizations. Because revenue flow is not a typical transaction and is infrequent, there are no formal controls other than typical check handling as amounts are made payable to the State.

See step nine (9) for testing of revenues and expenditures from throughout the two fiscal years to confirm our understanding of internal controls. No reportable issues were identified in these procedures.

8. Follow-up on the disposition of performance audit recommendations to the Colorado Tourism Office dated May 19, 2009.

- a. *Obtain disposition and review the recommendations*
 - b. *Document and evaluate client actions taken to address recommendations*
-

Please refer to the “Disposition” section on page 18 that follows.

9. Test proper recording of revenues and expenditures related to appropriations of any contracts.

- a. *Obtain an understanding of revenue sources other than interest and transfers from limited gaming related funding and obtain support for receipts during each year.*
 - b. *Select a sample of expense transactions from each of the four contracts selected for each of the two years. Test a maximum of all or fifteen expenditures per contract per year.*
 - c. *Compare transaction activity with the provisions of the related contracts.*
-

Revenue Sources

Revenue sources of the CTO other than interest and gaming consist primarily of grants from the Colorado Historical Society, receipts for events such as the Governor’s conference and amounts due under privatized contracts, such as a percentage of the advertising surplus on specific contracts. From a review of a sample of grant documentation, contracts, and conference materials, revenue receipts are appropriate.

Expenditure Testing

For the four contracts reviewed, we selected the greater of 15 expenditures per contract or the total number of expenditures indicated for that program in the fiscal year. The selection resulted in 56 items selected for review in Fiscal Year 2010 and 50 items selected for review in Fiscal Year 2009, for a total of 106 items reviewed. Noted there were proper approvals for each invoice. Noted expenditures were consistent with requirements of the contracts.

While many invoices associated with the contracts are for fees negotiated within the contracts, several of the expenditures are pass-through or detailed material expenditures. In prior recommendations, the review of underlying support was indicated as an appropriate oversight procedure. While initials or other approval were documented, it is not possible to determine the extent to which the underlying detail was reviewed. The underlying support was only obtained for the MMG Advertising and Public Relations contract, which makes up the majority of the expenditures of the organization and was generally obtained by the CTO subsequent to payment. Where this support was voluminous, MMG provided it electronically, as permitted by the contract, rather than on paper.

See **Recommendation #3.**

10. For privatized contracts, test contract monitoring procedures of the CTO to ensure that funds are spent appropriately and activities associated with the contract are being implemented.

- a. With the CTO, identify and define monitoring procedures*
 - b. Select and obtain a sample of privatized contracts. Select a subsample of expenditures per contract*
 - c. Perform a walkthrough of the selected fund expenditures and document the CTO's adherence to the procedures*
-

The contract for certain services including production of the vacation guide, state map and management of the official state website is specifically designed to be a privatized contract. The terms of this contract for both fiscal years indicate that the risks and rewards for performance remain with the vendor (a requirement for a privatized contract) and that the CTO shares in a percentage of the revenues in excess of certain planned levels.

The contract provides for quarterly monitoring, or more frequent monitoring if requested by the State. Because of the management and significant staff turnover at the CTO, we were not able to identify any specific CTO monitoring that had occurred. Board packets reviewed indicate that representatives of the vendor were frequently in attendance and providing feedback, but no documentation of fiscal monitoring by the CTO was able to be obtained.

See **Recommendation #4.**

11. Determine if the CTO has adequate monitoring procedures over its Welcome Centers and for its advertising contract.

- a. Inquire of personnel to identify monitoring procedures and contracts and evaluate adequacy of those efforts*
-

Per our inquiry, one program staff at the CTO oversees the welcome center activities. The CTO partners with local communities and regional entities to operate welcome centers that provide information and travel advice to motorists at 10 locations through the state. The majority of this oversight relates to contracting for welcome center operations, ordering materials for the centers and management of the volunteer staff. Expenditures are primarily to the coordinating agencies with small amounts of expenditures for phone service and miscellaneous items. While not specifically reviewed, the agency contracts are subject to the same oversight as all other CTO expenditures. Oversight, as a result, is consistent with other components of the organization and is considered adequate.

12. Inquire of CTO personnel and describe the current nature of operations and staffing at the time of the procedures performed.

Our procedures were performed between July 2010 and December 2010. At the conclusion of that period, Don Marostica, the Executive Director of the Governor's Office of Economic Development and International Trade (OEDIT), was serving as the Interim Division Director of the CTO and Alice Kotrlik, Deputy Director of the OEDIT, and Kyle McDonald, Controller of the OEDIT, were providing support. The CTO staff consisted of five personnel (with one vacant staff position), serving the following primary roles:

- Grant coordination
- International marketing
- Agri-tourism and domestic marketing
- Welcome Center management
- Heritage Tourism Grant management

Please refer to the overall summary of the organization also included as page 1 of this report.

13. Compile a summary of revenues and expenditures and changes in fund balance for the CTO for the fiscal years ending June 30, 2010 and 2009.

The compiled summary of revenues and expenditures and changes in fund balance is included as page 3 of this report.

Findings and Recommendations Resulting From Procedures Performed

Issue #1 – Contract and Expenditure Timing

What was the purpose of the procedure performed?

The purpose was to evaluate contracts and confirm appropriate approval, execution and content as it relates to the procurement and expenditure processes.

What work was performed and how were results measured?

We selected and reviewed a sample of contracts to evaluate appropriate authorization and effective dates from both fiscal years 2010 and 2009.

What problem did the procedure identify?

While authorization was appropriate, some of the contracts were signed and effective subsequent to the beginning of the fiscal year while vendor services were provided from the beginning of the fiscal year although billed after the contract was approved. The CTO has already reported this issue to the State Controller's Office and has been granted approval for payment of these amounts for past contracts.

Why does this problem matter?

State fiscal rules require that services be agreed to prior to performance.

Why did the problem occur?

The nature of the CTO results in year-round activity that creates a disconnect if annual contracts are not finalized prior to the start of each year. Negotiations for recurring contracts did not start timely enough, and had not started timely enough in previous years, to finalize and sign contracts prior to the start of the fiscal year. CTO staff had not attended contract training to understand practices and requirements of contracting.

Recommendation No. 1

We recommend that the Colorado Tourism Office put in place procedures to negotiate and approve contracts in advance of the start of the fiscal year. In addition, CTO should ensure staff receive training on contracting practices and requirements, if state training is available.

Colorado Tourism Office Response

Agree. Implementation date: May 2011.

The CTO agrees with this recommendation. The CTO implemented new contracting procedures in July 2009 based upon State of Colorado contracting requirements and utilizing State model contract forms. Current contract procedures have been modified to include the recommendation by updating the timeline for contracting activities to ensure contracts are finalized and signed prior to the start of the next fiscal year. As an example, per the updated timeline, contracting activities began in January 2011 and will conclude in May 2011, well before the start of fiscal year 2012 on July 1, 2011.

Regarding the second item, prior CTO management and staff did attend the only available training (procurement training, which included certain contract training elements as well) and it is the CTO's understanding that there is still no formal comprehensive contract training currently available to State employees.

Issue #2 – Improving Board Minute and Budget Documentation

What was the purpose of the procedure performed?

The purpose was to evaluate budget and board minute review and confirm that appropriate oversight and management of the budget and general operations occurs timely.

What work was performed and how were results measured?

We reviewed a sample of board books that contain budgets, approvals and modifications for Fiscal Years 2010 and 2009.

What problem did the procedure identify?

While budget reports are provided each month, the historical data was not consistently updated and there was not always specific commentary regarding changes to the budget or specific approval of contracts by the Board noted in the minutes. In addition, budget data was not periodically reconciled to actual results.

Why does this problem matter?

The Board has a fiduciary responsibility for providing oversight of the CTO's operation and, without appropriate documentation, it is difficult to substantiate that the oversight has occurred.

Why did the problem occur?

Board minutes follow a standard format and no specific policy exists, formal or informal, to document budget changes or specific contract approvals.

Recommendation No. 2

The Colorado Tourism Office should consider revising the format of the minutes to include additional specific approvals by the Board and budget updates. Budget data presented should also be periodically reconciled to actual results.

CTO should also consider reporting the final negotiated contract approvals so that it is clear that the Board understands the timing and extent of the contracts executed.

Colorado Tourism Office Response

Agree. Implementation date: July 2011.

The CTO agrees with this recommendation. As stated in the audit report, budget reports and specific detailed information regarding negotiated contracts are provided to the board. Subsequent changes are noted in the minutes as being discussed, but not reported as decision items in the minutes. The CTO obtains the board's approval in all instances. To incorporate the recommendation pertaining to the board books, the CTO will add a separate recurring section entitled "Decision Items," which will include the original budget and any subsequent changes reported for that period. Also included will be a list of negotiated contracts with specific detailed information including the contractor name, address, contact information, amount, description, effective date and expiration date and status of any pending contracts. In addition to seeking the board's approval for items contained in this section, the CTO will document the board's approval in the board minutes.

As stated in the audit report, the budget is updated for changes throughout the year. Because of this, a comparison to current year actual is not relevant as the budget is updated to reflect actual expenditures. Comparisons from current to prior year are made for reasonableness and assessment of change. The CTO will modify the current budget report format in order to reflect updated projected budget information and separately reflect actual results to date on a periodic basis.

Issue #3 – Expenditure Support

What was the purpose of the procedure performed?

The purpose was to evaluate expenditures and consider whether they were proper to pay, adequately supported and approved consistent with policy.

What work was performed and how were results measured?

We selected and evaluated a sample of 106 expenditures with respect to the nature of the expenditure, timing of the payment, underlying support and approval authorities for both Fiscal Years 2010 and 2009.

What problem did the procedure identify?

The largest contractor submits summary invoices that contractually require underlying support, either in paper or electronic format. The CTO did not document review of the supporting documentation consistently. In addition, the CTO often received the underlying supporting documentation subsequent to payment of the summary invoices.

Why does this problem matter?

Documentation of the review of support provides better oversight of the expenditure process and confirms that payments are made for appropriate goods and services.

Why did the problem occur?

Turnover in the CTO and the relatively new adoption of these policies as a result of prior performance audits resulted in an attempted compliance that needs refinement to be more effective. Current CTO informal policy implies that underlying detailed support should be obtained prior to payment, but vendors have indicated that they cannot provide that support timely. The contracts allow for subsequent billing and payment adjustments if problems are identified.

Recommendation No. 3

The Colorado Tourism Office should consider whether a subsequent internal audit of detailed invoices is appropriate for the vendor relationships in order to continue to pay from summary invoices. If subsequent review is appropriate, CTO should consider a stamp, certification statement or other improved form of documentation to indicate that the invoices have been appropriately reconciled. CTO should also consider the scope of this review, including whether it will be applied to all contracts and whether the reconciliation will be done on a sample basis or on every invoice.

Colorado Tourism Office Response

Agree. Implementation date: April 2011.

The CTO agrees with this recommendation. As stated in the audit report, the CTO follows the procurement policies of the OEDIT. The CTO believes that these policies and procedures provide adequate controls over expenditure processing to ensure transactions are handled appropriately and accurately. It is also stated in the audit report that expenditure testing revealed the proper level of approval for each invoice and that expenditures met contract requirements. The CTO believes that the documented approval, provided by CTO staff and the Division Director, occurred subsequent to the review and

reconciliation of the underlying detail. However, due to management and significant staff turnover in CTO, it is impossible to substantiate.

To implement the recommendation, the CTO will require an internal audit of detailed supporting documentation when paying from summary invoices. This will occur at the point in time when the supporting documentation is received by the CTO. The CTO will stamp the summary invoice and place staff's initial and date in the stamped area indicating the summary invoices have been reconciled to the detailed supporting documentation. Initially, this process will be applied to all contracts and for every invoice. Once a contractor has established a satisfactory track record of providing reconciling invoices and supporting documentation, the CTO will consider auditing on a sample basis.

Issue #4 – Monitoring of Privatized Contracts

What was the purpose of the procedure performed?

The purpose was to test contracts that are intended to be fully privatized and evaluate whether the CTO achieves the results intended by the use of such contracts and adequately monitors privatized contracts.

What work was performed and how were results measured?

We identified a privatized contract, evaluated the contract terms, and compared the terms to CTO practices.

What problem did the procedure identify?

While the contract permits quarterly or more frequent, if requested, monitoring of revenues and related amounts due to the CTO, no confirmation or documentation of monitoring activity by the CTO was identified.

Why does this problem matter?

While privatization of contracts allows CTO to manage certain risks, the contract allows the CTO to participate in revenues beyond a minimum contractual threshold. Failure to monitor this activity could result in missed revenue opportunities for the CTO as well as failures to identify services not provided as required under the contract.

Why did the problem occur?

Turnover in management and a lack of formalized processes and documentation for contract monitoring resulted in a lack of clarity on the extent of monitoring that should be performed and / or documented.

Recommendation No. 4

The Colorado Tourism Office should develop and document a formal quarterly fiscal review process for the privatized contract and any similar contracts that, although privatized, provide for a variable revenue stream based on the results of the vendor's collections.

Colorado Tourism Office Response

Agree. Implementation date: April 2011.

The CTO agrees with this recommendation. As stated in the audit report with respect to revenue controls, no reportable issues were identified as a result of revenue testing performed. The CTO will incorporate the recommendation into its current contractor review process. For privatized contracts that provide a variable revenue stream, the CTO will conduct a quarterly review of each contractor and stamp, initial and sign the revenue report provided by the contractor as an indicator that revenues reported and due/paid to CTO were reconciled to contract requirements.

**Disposition of Performance Audit Recommendations to the Colorado Tourism Office
(dated May 19, 2009)**

Recommendation No. 1

The Colorado Tourism Office should strengthen the quality of its contracts to ensure the State receives maximum value by:

- a) Including provisions for measuring contractor performance and for applying remedies and sanctions for nonperformance in addition to contract termination.
- b) Ensuring staff receive training on contracting practices and requirements.

Status Determined by BKD: PARTIALLY IMPLEMENTED

In the 2009 report, the CTO agreed with these recommendations and indicated that it had or would take the following action:

- Utilizing the State's model contract language.
- Providing procurement training to the staff members.

The CTO implemented new procedures in July 2009. During this time period, the State Controller's Office made significant revisions to its contracting requirements and provided model contract forms for State agencies to use. The State's model contract forms provide specific provisions related to contractor performance, remedies and sanctions for nonperformance. The CTO has incorporated this model contract language into its contracts to ensure its contracts are consistent and non-performance remedies can be implemented. BKD observed these contract revisions in the test work performed. Part a) of the recommendation was implemented.

Regarding the second item, it is the CTO's understanding that there is still no formal comprehensive contract training currently available to State employees. Part b) of the implementation was not implemented. See current year recommendation number 1.

Recommendation No. 2

The Colorado Tourism Office should strengthen its grant management by working with the Tourism Board to develop and implement policies and procedures that ensure:

- a) Marketing grant cycles are consistent and grants are awarded early enough to allow grantees an entire fiscal year to spend grant funds and complete projects.
- b) Grantees are adequately monitored and provided sufficient documentation to demonstrate compliance with grant requirements, such as providing receipts and documentation of matching funds for all expenditures related to the grants.

Status Determined by BKD: IMPLEMENTED

In the 2009 report, the CTO agreed with these recommendations and indicated that it had or would take the following actions:

- Provide consistent and longer grant cycles, dependent on funding availability, priorities and strategies.
- Utilize a standard form requiring submission of receipts and invoice documentation and requiring that the final invoice is payable only upon approval of all deliverables according to the grant agreement.

The CTO implemented new procedures in July 2009. The CTO changed its grant practices to include better reporting, more consistent requirements and a longer grant cycle. A standard form requiring submission of receipts and invoice documentation, proof of grant match, and interim financial reports was implemented. Further, grants require that the final invoice is payable only upon approval of all deliverables according to the grant agreement. BKD observed these processes and forms in the test work performed.

Recommendation No. 3

The Colorado Tourism Office should ensure the validity and timeliness of expenditures by taking appropriate steps to ensure that payments are supported with appropriate documentation, reviewed by management, and processed in a timely fashion. In addition, the Tourism Office should establish and document accounting procedures and ensure staff are aware of their job duties in this areas.

Status Determined by BKD: PARTIALLY IMPLEMENTED

In the 2009 report, the CTO agreed with these recommendations and indicated that it had or would take the following action:

- Require electronic backup for invoices with substantial paper based support, with the Controller randomly auditing those invoices / documentation.
- Pay invoices timely by modifying approval limits.

The CTO implemented new procedures in July 2009. The CTO works with its contractors to ensure that sufficient detailed backup documentation is provided. Beginning in Fiscal Year 2010, language incorporated into CTO's contracts required contractors to provide electronic backup documentation when substantial amounts of paper are involved to aid in invoice processing and to reduce paper.

CTO staff review invoices for mathematical accuracy, reconcile supporting documentation to the invoices and ensure the supporting documentation received is sufficient, accurate and for the correct timeframe. Required management signatures are obtained before submitting invoices to Accounting. As part of its standard review, the Office of Economic Development and International Trade (OEDIT) Accounting Technician completes a pre-audit review of documentation prior to submitting the invoice and supporting documentation for final approval by the Controller.

The Controller completes a routine review of certain items and a more detailed check of invoices and supporting documentation on a sample basis prior to his/her approval. In addition, CTO staff will continue to make every effort to pay invoices in a timely fashion. CTO staff understand the importance of submitting invoices in a timely manner to Accounting. Accounting will advise CTO management when invoices are not submitted timely so that the situation can be remedied. BKD observed the approval process in the current year and the electronic information aggregated from the vendor. See current year recommendation 3 regarding supporting documentation for expenditures for further implementation efforts required.

Recommendation No. 4

The Colorado Tourism Board should strengthen its policies to ensure tourism industry professionals who participate in committees disclose conflicts of interest and do not participate in making recommendations when a conflict exists. Additionally, the Board should develop a gift acceptance policy and establish a process for Board members to report annually to the Board the value of gifts received from the tourism industry.

Status Determined by BKD: IMPLEMENTED

In the 2009 report, the CTO partially agreed with these recommendations and indicated that it had or would take the following action:

- Consider adopting a conflict of interest policy for those who review or recommend grant applications and vendors
- Discuss developing gift related conflict policies

By August 2009, the CTO Board of Directors adopted a conflict of interest and gift policy for Board and committee members, including committees that review and recommend grant applicants and vendors. All Board and committee members are now required to sign the conflict of interest and gift acceptance statement. BKD obtained the conflict of interest and gift policy and verified a selection of signed statements.

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