

The September 2021 Arizona Office of Tourism performance audit and sunset review found that the Office met some of its statutory objective and purpose, but did not comply with some State requirements for spending public monies for promotional activities we reviewed, accounting for some tourism revenues it distributed for Maricopa County tourism promotion, and managing conflicts of interest. We made 21 recommendations to the Office, and its status in implementing the recommendations is as follows:

Status of 21 recommendations

Implemented	2
In process	14
Not yet applicable	1
Not implemented	4

We will conduct a 24-month followup with the Office on the status of the recommendations that have not yet been implemented.

Finding 1: Office spent \$81,239 on promotional activities, events, and projects conducted jointly with other tourism entities without required justification and documentation, which placed these public monies at potential risk of misuse

1. The Office should comply with SAAM requirements for spending public monies for promotional purposes, such as sponsorships, promotional items, travel, and food and beverages.

Not implemented—Based on our review of 4 promotional events the Office conducted between October 2021 and February 2022, it did not comply with most SAAM requirements for these events. For example, 3 of 4 events lacked required detailed invoices, and all 4 events were missing itemized receipts. Additionally, 3 of the 4 events reviewed required both a cost benefit analysis and a documented legal review; however, only 2 of these events included a cost benefit analysis, and none of the 3 events received a documented legal review. We will further assess the Office’s compliance with SAAM requirements for spending public monies for promotional purposes during our 24-month followup.

2. The Office should, in consultation with the Arizona Department of Administration, General Accounting Office, develop and implement policies, procedures, and guidelines for spending public monies for promotional purposes that incorporate supervisory review and include:
 - a. Defining the appropriate use of public monies, including whether public monies can be used for promotional items, travel, and food and beverages.

Implementation in process—The Office is working with the Arizona Department of Administration (ADOA) to develop policies defining the appropriate use of public monies, including whether public monies can be used for promotional items, travel, and food and beverages. Because it is working with ADOA and implementation of this recommendation is dependent on ADOA’s review and approval of proposed policies and procedures, the Office was not able to provide an estimated date for completing and implementing the policies and procedures.

- b. Requiring Office staff to document the public purpose and benefit of these expenditures prior to making the expenditure.

Implementation in process—The Office has revised its purchase order request forms to require its staff to document the public purpose and benefit of requested purchases, including the benefit to the State. In addition, the Office reported that purchase order requests over \$10,000 will require a justification memo that should provide further detail on the public purpose and benefit of promotional expenditures. However, the Office has not yet developed policies and procedures that require staff to document the public purpose and benefit of promotional expenditures or prepare justification memos for expenditures exceeding \$10,000.

- c. Requiring tourism-related entities to submit detailed invoices and receipts for expenditures that are reviewed by Office staff prior to processing payments.

Not implemented—The Office has not developed policies and procedures requiring tourism-related entities to submit detailed invoices and receipts for expenditures that are reviewed by Office staff prior to processing payments. In addition, as noted in the explanation for Recommendation 1, we reviewed expense documentation for 4 promotional events the Office conducted between October 2021 and February 2022 and found that 3 of these events did not include a detailed invoice. In addition, none of the 4 vendors had submitted itemized receipts for all event expenses.

- d. Prohibiting payment for journalist and other nonemployee travel without a written agreement.

Implementation in process—Although the Office has developed a policy that requires its staff to enter into a written agreement with journalists/nonemployees when sharing the costs of their travel with the State, the policy does not require such an agreement if the Office fully pays for travel costs. Our review of 1 journalist travel event from October 2021, for which the Office fully paid for the costs of the travel, determined that it did not execute a written agreement for this travel event.

- e. Requiring a cost-benefit analysis of potential sponsorships and review by legal counsel prior to entering into sponsorship agreements.

Implementation in process—Although the Office reported that it requires cost-benefit analyses to be completed for potential sponsorships, it did not provide any policies or procedures related to this requirement. However, for 1 of 3 sponsored promotional events conducted by the Office between October 2021 and February 2022 that we reviewed, the Office prepared a cost-benefit analysis. Additionally, the Office has requested and received ADOA's approval authorizing its director to approve potential sponsorships up to its \$200,000 delegated procurement authority amount in lieu of a separate legal review, and that a legal review would only be required for potential sponsorships exceeding this amount.

Finding 2: Five changes to fiscal year 2020 DMO spending plans were not approved, and Office approved inaccurate fiscal year 2021 spending plans, which placed public monies distributed to tourism entities at potential risk of misuse, loss, or theft

- 3. The Office should comply with SAAM requirements for spending public monies.

Implementation in process—As explained in Recommendations 4 through 6, the Office has developed and began implementing various policies, procedures, and reporting templates that, if followed and used, will help ensure it complies with SAAM requirements for spending public monies. We will assess the Office's compliance with and use of its policies, procedures, reporting templates, and SAAM requirements for spending public monies during our 24-month followup.

4. The Office should continue to develop and implement change request policies and procedures that include:

- a. Requirements for DMOs to submit a change request, time frames for submitting change requests, and the information that should be provided to explain the reason for the change and how spending will be reallocated.

Implementation in process—In fiscal year 2023, the Office developed and began implementing a formal grant process for distributing and monitoring Proposition 302 monies, including developing policies and procedures for this process that address Recommendations 4a through 4c. Specifically, the Office’s grant process policies and procedures:

- Require DMOs to submit change requests, and outline time frames for submitting change requests and the information that should be provided to explain the reason for the change and how spending will be reallocated.
- Outline staff responsibilities for reviewing and approving DMOs’ change requests that include staff initial review of change requests for completeness and a determination of whether the Office director or Proposition 302 Maricopa County Marketing Program Committee (Committee) must review and approve a requested change based on the change’s requested dollar amount.
- Require Committee review and approval of change requests exceeding a specified dollar amount and outline Office staff’s responsibilities for providing change requests and other necessary information to the Committee to facilitate its review, and Committee members’ responsibilities for reviewing and approving change requests.

We will further assess the Office’s implementation of its grant process policies and procedures during our 24-month followup.

- b. Office staff’s responsibilities for reviewing and approving DMOs’ change requests.

Implementation in process—See explanation for Recommendation 4a.

- c. The circumstances that require Committee review and approval of change requests, Office staff’s responsibilities for providing change requests and other necessary information to the Committee to facilitate its review, and Committee members’ responsibilities for reviewing and approving change requests.

Implementation in process—See explanation for Recommendation 4a.

5. The Office should develop and implement standardized mid-year and end-of-year expense reporting templates for DMOs to help ensure spending information is consistently and accurately reported.

Implementation in process—The Office has developed a standardized midyear and end-of-year expense reporting template for DMOs to use to help ensure spending information is consistently and accurately reported. We will further assess the Office’s implementation of its standardized mid-year and end-of-year expense reporting template during our 24-month follow up.

6. The Office should develop and implement policies and procedures for reconciling DMOs’ spending against approved marketing plans and the Office’s distribution and accounting records and timely closing out spending at the end of the fiscal year.

Implementation in process—The Office has developed policies and procedures for reconciling DMOs’ spending against approved marketing plans and the Office’s distribution and accounting records and timely closing out spending at the end of the fiscal year. Specifically, the policies require Office staff to reconcile reported spending against these records within 60 days of the midyear and end-of-year submission dates for reported spending. We will further assess the Office’s efforts to perform these reconciliations and ensure timely close-out of spending during our 24-month followup.

7. The Office should train DMOs, Office staff, and Committee members on these policies, procedures, and reporting templates.

Implemented at 12 months

Finding 3: Office did not comply with some State conflict-of-interest requirements, increasing risk that employees and public officers had not disclosed substantial interests that might influence or could affect their official conduct

8. The Office should continue to develop and implement conflict-of-interest policies to help ensure compliance with State conflict-of-interest requirements, including:

- a. Reminding employees/public officers at least annually to complete a new disclosure form when their circumstances change, such as by requiring its employees and members of the Tourism Advisory Council and Proposition 302 Maricopa County Marketing Program Committee to complete an annual conflict-of-interest disclosure form, including attesting that no conflicts exist, if applicable.

Implemented at 12 months

- b. Storing all disclosures of substantial interest, including disclosure forms and meeting minutes, in a special file available for public inspection.

Implementation in process—Although the Office has established a special file, it reported not yet having any disclosures of substantial conflicts of interest that would need to be stored in its special file. Therefore, we will assess the Office’s storage of disclosures of substantial interest in a special file, as applicable, during our 24-month followup.

- c. Establishing a process to review and remediate disclosed conflicts.

Implementation in process—The Office has developed and implemented a process to review and remediate disclosed conflicts that includes sending any disclosed conflicts to the Office’s Assistant Attorney General for review. However, because the Office reported that no staff/Committee members have disclosed a conflict since it established this process, we will further assess the Office’s implementation of its process during our 24-month followup.

9. The Office should develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure forms to its employees and Council and Committee members on how the State’s conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Not implemented—Although the Office requires its staff and Council/Committee members to take the State’s general training on standards of conduct, which includes some information about conflict-of-interest requirements, it has not taken steps to develop and provide periodic training on its internal conflict-of-interest requirements to its employees and Council and Committee members on how the State’s conflict-of-interest requirements relate to their unique programs, functions, or responsibilities. According to the Office, it plans to develop and implement Office-specific conflict-of-interest training by August 2023.

Sunset Factor 2: The extent to which the Office has met its statutory objective and purpose and the efficiency with which it has operated.

10. The Office should identify and incorporate economic, sociocultural, and/or environmental impacts in its strategic planning efforts.

Implementation in process—The Office has incorporated several economic, sociocultural, and/or environmental impacts in its 3-year strategic planning efforts and reported that it is developing a 10-year destination stewardship plan that will also incorporate economic, socio-economic, and cultural awareness and sustainability efforts. We will further assess the Office’s implementation of this recommendation during our 24-month followup.

Sunset Factor 12: The extent to which the Office has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

11. The Office should comply with statutory procurement requirements, including:

a. Following applicable competitive procurement requirements.

Not implemented—Although the Office agreed with the finding and indicated it would implement this recommendation, it reported that it has not adjusted its practice of using the existing State-wide marketing and advertising vendor to accept and pay for unsolicited proposals it receives. As indicated in our performance audit and sunset review of the Office, this practice conflicts with the Arizona Procurement Code and its regulations, which exist to maximize the purchasing value of public monies in the State, foster broad-based competition, and provide appropriate oversight of procurement activities. For example, although the Office used the existing State-wide marketing and advertising vendor to contract with a New York City department store for promotional campaigns on 2 separate occasions for a total amount of \$620,000, these procurement activities were not competitively bid, nor were they submitted to the Arizona Department of Administration's State Procurement Office (SPO) for review and approval, as required by the Arizona Procurement Code and its regulations and by the State-wide contract. Additionally, as explained in Recommendation 11b, we were unable to assess the Office's compliance with its delegated procurement authority because the Office did not undertake any separate procurements exceeding \$200,000 that would have required SPO's review and approval for the time period reviewed. Finally, as explained in Recommendation 11c, based on the documentation that the Office provided, we could not verify that all necessary staff completed a procurement-specific disclosure statement as required. We will continue to assess the Office's implementation of these recommendations during our 24-month followup, including reviewing any additional guidance SPO issues regarding unsolicited proposals, as applicable.

b. Adhering to its delegated procurement authority threshold.

Not yet applicable—Based on our review of the Office's procurements completed in January through March 2022, it used existing State-wide contracts for procurements exceeding its delegated procurement authority of \$200,000 as authorized by its delegated procurement authority and did not undertake any separate procurements exceeding \$200,000 that would have required SPO's review and approval.

c. Obtaining annual procurement disclosure statements from all staff with a significant procurement role.

Implementation in process—Although the Office complied with its annual disclosure statement requirement for its 2 staff who have significant roles in all procurement activities, it could not provide documentation demonstrating that all staff who had a significant procurement role for a specific procurement also completed a procurement disclosure statement. Specifically, the Office provided several procurement-specific disclosure statements completed by its staff but did not provide a list of all procurements it conducted in fiscal year 2022. As a result, we could not verify that all necessary staff completed a procurement-specific disclosure statement as required.