



September 22, 2021

Ms. Lindsey Perry, Auditor General  
Office of the Auditor General  
2910 N. 44th St., Suite 410  
Phoenix, AZ 85018

Dear Ms. Perry:

The Arizona Office of Tourism (AOT) appreciates the opportunity to discuss the goals, objectives and statutory requirements of the state agency with the Audit Team. AOT is extremely cognizant of its important role as a state agency and the use of taxpayers monies to produce the best return on investment for the State's economy and its residents.

As a result of the audit, AOT has already updated several internal processes and procedures to improve our efficiency. The Office is committed to implementing the recommendations provided in the findings.

AOT respectfully submits its response to the performance audit and sunset review.

Sincerely,

A handwritten signature in black ink that reads "Debbie Johnson". The signature is written in a cursive, flowing style.

Debbie Johnson  
Executive Director  
Arizona Office of Tourism

**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.

**Recommendation 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.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Although the Arizona Office of Tourism (AOT) disagrees that the Office put any public monies at the “potential risk of misuse,” it will implement the Auditor General’s recommendation. AOT is extremely cognizant of its role as a state agency and the use of taxpayers monies to produce the best return on investment for the State’s economy and its residents. AOT currently prepares justification memos for purchases, creates purchase orders and tracks ROI on events and marketing programs. At the Auditor General recommendation, we are working with the General Accounting Office (GAO) to ensure we are meeting all SAAM requirements.

**Recommendation 2:** In consultation with the Arizona Department of Administration, General Accounting Office, the Office should develop and implement policies, procedures, and guidelines for spending public monies for promotional purposes that incorporate supervisory review and include:

**Recommendation 2a:** Defining the appropriate use of public monies, including whether public monies can be used for promotional items, travel, and food and beverages.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General’s finding and agrees to review its current internal processes. The Office is working with the General Accounting Office to further define how public monies can be used for marketing-related purposes including promotional items, travel, and food and beverages.

**Recommendation 2b:** Requiring Office staff to document the public purpose and benefit of these expenditures prior to making the expenditure.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General’s finding and is reviewing its current internal processes to further document the public purpose and benefit of expenditures. In Fiscal Year 2021, the Office adopted a new justification documentation and process for planning journalist tours, which includes the proposed dates, and purpose of the trip and anticipated travel costs, the anticipated positive media coverage of the State, and the estimated date the positive media coverage will be published.

**Recommendation 2c:** Requiring tourism-related entities to submit detailed invoices and receipts for expenditures that are reviewed by Office staff prior to processing payments.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's finding and agrees to enhance its existing accounting process that requires tourism-related entities to submit detailed invoices and receipts for expenditures that are reviewed prior to processing payments.

**Recommendation 2d:** Prohibiting payment for journalist and other nonemployee travel without a written agreement.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's finding and agrees to review its current internal process regarding payment for journalist and non employee travel. The Office is working with the General Accounting Office on an updated procedure to ensure it stays in compliance.

**Recommendation 2e:** Requiring a cost-benefit analysis of potential sponsorships and review by legal counsel prior to entering into sponsorship agreements.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's finding and is reviewing its current internal process requiring a cost-benefit analysis of potential sponsorships. The Office is working with the General Accounting Office and the Attorney General's Office to update its procedures.

**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.

**Recommendation 3:** The Office should comply with SAAM requirements for spending public monies.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Although the Arizona Office of Tourism disagrees that the Office put any public monies at the "potential risk of misuse, loss or theft," it will implement the Auditor General's recommendation. AOT is extremely cognizant of its role as a state agency and the use of taxpayers monies to produce the best return on investment for the State's economy and its residents. AOT will review its internal management process to ensure the Office continues to comply with SAAM requirements.

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

**Recommendation 4a:** 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.

Office response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation and updated the Change Request policies and procedures for the Prop 302 program.

**Recommendation 4b:** Office staff's responsibilities for reviewing and approving DMOs' change requests.

Office response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation. AOT created an Arizona Management System (AMS) Standard Work process that provides detail of its staff responsibilities for the internal Prop 302 review procedures and change request process. This document was shared with the audit team on February 24, 2021

**Recommendation 4c:** 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.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation. During the Office's Prop 302 June 2021 Committee meeting, AOT staff and committee members reviewed staff and committee responsibilities for Change Requests. Committee approval is required for change requests that exceed \$25,000 and the Office's director is authorized to approve change requests that are less than \$25,000. Additionally, each participating DMO is aware of the current Change Request process and the Office requires DMOs to submit all change requests for review and approval. The Office is committed to continuing a clear communication process for its staff, committee members and participating DMOs.

**Recommendation 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.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation and is reviewing the current reporting policies and procedures for the Prop 302 program. AOT will make changes as needed.

**Recommendation 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.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation and is reviewing the current process for reconciling DMO spending against approved marketing plans, the Office's distribution and accounting records and timely close-out of spending. AOT developed an AMS standard work process and submitted that document to the Audit Team on February 24, 2021.

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

Office response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation and is reviewing the current policies and procedures regarding training for the Prop 302 program. As part of its current training process, AOT hosts two annual meetings focused on training prior to the release of the next fiscal year's application to review policies, procedures and reporting templates. One meeting is held for the Prop 302 Program Committee Members to discuss and approve guidelines changes, and the second is a workshop-style meeting held for Prop 302 participants to provide an overview of the program and to review updates or changes in the program. The Office is committed to continuing its clear communication process for staff, committee members and participating DMOs. AOT will make any updates to its training process as needed.

**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 affect their official conduct.

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

**Recommendation 8a:** 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.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT acknowledges the Auditor General's recommendation. AOT complies with Arizona Department of Administration (ADOA) requirements for shared services agencies and has already implemented an annual Conflict of Interest process for staff, Tourism Advisory Council and Prop 302 Committee members.

**Recommendation 8b:** Storing all disclosures of substantial interest, including disclosure forms and meeting minutes, in a special file available for public inspection.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT is following protocol established by ADOA.

**Recommendation 8c:** Establishing a process to review and remediate disclosed conflicts.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT is following protocol established by ADOA.

**Recommendation 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.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT is following protocol established by ADOA.

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

**Recommendation 10:** The Office should identify and incorporate economic, socio-cultural, and/or environmental impacts in its strategic planning efforts.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT has a long history of strategic planning and is currently building a 3-year strategic plan and 10-year sustainability plan that incorporates economic, socio-cultural, and environmental impacts.

**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.

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

**Recommendation 11a:** Following applicable competitive procurement requirements.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT will continue following applicable competitive procurement requirements.

**Recommendation 11b:** Adhering to its delegated procurement authority threshold.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT will continue following applicable competitive procurement requirements.

**Recommendation 11c:** Obtaining annual procurement disclosure statements from all staff with a significant procurement role.

Office response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AOT will continue obtaining annual procurement disclosure statements from procurement staff and from additional staff with a significant procurement role.