



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

September 25, 2002

The Honorable Roberta L. Voss, Chair
Joint Legislative Audit Committee

The Honorable Ken Bennett, Vice Chair
Joint Legislative Audit Committee

Dear Representative Voss and Senator Bennett:

Our Office has recently completed a 24-month followup with the Arizona Office of Tourism regarding the implementation status of the 18 audit recommendations (including sub-parts to the recommendations) presented in the performance audit report released in August 2000 (Auditor General Report No. 00-11). As the attached grid indicates:

- 13 of the 18 recommendations have been implemented;
- 4 of the 18 recommendations are in the process of being implemented; and
- 1 recommendation has not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Agency's efforts to implement the recommendations resulting from the August 2000 performance audit.

Sincerely,

Debbie Davenport
Auditor General

Attachment

cc: Mr. Mark McDermott, Director
Arizona Office of Tourism

Senate Commerce Members

Ms. Nadine Sapien
Senate Research Analyst

Ms. Julie Szperling
Senate Committee Analyst

Mr. Paul Bullis
Office of the Attorney General

JLAC Committee Members

House Commerce and Economic
Development Members

Ms. Tami Stowe
House Research Analyst

Ms. Diana O'Dell
House Committee Analyst

Terri Skladany
Attorney General's Office

ARIZONA OFFICE OF TOURISM
24-Month Follow-Up Report To
Auditor General Report No. 00-11

FINDING I: Many of AOT’s Contracting Practices Violate State Procurement Practices

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. AOT should make any purchases that exceed its \$10,000 purchasing authority through the State Procurement Office or obtain appropriate delegation.	Implemented at 12 months	
2. AOT should pay no more than the basic membership fee in tourism associations and appropriately follow procurement requirements for any additional services it receives from those associations.	Implemented at 6 months	
3. AOT should comply with state procurement laws and regulations when procuring contracts as part of joint ventures.	Implemented at 12 months	
4. AOT should comply with rule R20-3-104 (2) and section II-H-1 of the <i>Arizona Accounting Manual</i> and discontinue paying for joint venture services in advance.	Implemented at 12 months	

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FINDING I: Many of AOT’s Contracting Practices Violate State Procurement Practices (Cont’d)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
5. In the request for the 2001 advertising contract, AOT should specifically state the services it expects the awarded contractor to provide, request the bidders to quote their fees for those services, and set a limit on the total amount it will pay.	Implemented at 12 months	
6. AOT should ask the Attorney General’s Office what entities it may participate with as private corporations in joint ventures.	Implemented at 12 months	
7. To ensure compliance with procurement requirements and to avoid paying unnecessary markups, AOT should select vendors through a competitive bid process for services it plans to oversee and direct.	Implemented at 12 months	
8. AOT should obtain formal contract amendments approved by the State Procurement Office for any modification of contracts procured by the State Procurement Office. Modifications include changes in subcontractors, services added to the original contract performed by the contractor or by subcontract, and any changes to the proposed pricing schedule.	Implemented at 12 months	

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FINDING I: Many of AOT's Contracting Practices Violate State Procurement Practices (Concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
9. AOT should designate a staff member as a central procurement coordinator. That staff member should consult with and received training from the State Procurement Office.	Implemented at 6 months	
10. AOT's new procurement coordinator should establish and maintain central contract files.	Implemented at 6 months	
11. AOT should follow <i>Arizona Accounting Manual</i> requirements for the retention of contracting documents.	Implemented at 6 months	

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FINDING II: AOT’s Membership in a Limited Liability Company Violated State Constitution and Statutes

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. AOT should work with the Attorney General’s Office and State Procurement Office to develop an appropriate Web site operating agreement.	Implemented at 12 months	
2. AOT should seek the Attorney General’s advice prior to entering into significant agreements that obligate the State, such as AOT’s agreement with the original Web site publisher and AOT’s membership in the limited liability company.	Implemented at 12 months	

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FINDING III: Additional Performance Measures Needed to Demonstrate Effectiveness

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. AOT should discontinue its current method of calculating economic impact performance measures since the methodology and assumptions it uses are flawed. If AOT wants to measure its return on investment for an individual advertising, marketing, or fulfillment project, it should use appropriate methods and assumptions.</p>	<p>Implementation in Process</p>	
<p>2. AOT should develop additional performance measures that reflect its facilitator role. Specifically, AOT should develop additional performance measures in the program areas of advertising and trade marketing, as well as for constituent relations.</p>	<p>Not Implemented</p>	<p>The Office of Tourism planned a series of additional research studies scheduled to begin in February 2002 that would enable them to establish additional performance measures. However, due to specific budget reduction requests from the Governor's Office, approximately one-third of the Office of Tourism's Research Division budget was cut. Subsequently, all remaining research studies related to this recommendation that were planned for 2002 were postponed or cancelled.</p>

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FINDING IV: AOT Should Conduct Required Long-Range Planning

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
<p>1. AOT should develop a long-range tourism plan for Arizona by:</p> <ul style="list-style-type: none"> a. Working with the Tourism Advisory Council and industry stakeholders to identify challenges and priorities for Arizona tourism; b. Determining research projects to support the development of a long-range plan; and c. Developing specific goals and objectives to address strategic issues and a monitoring process with specific performance measures to assess progress. 	<p style="text-align: center;">Implementation in Process</p> <p style="text-align: center;">Implementation in Process</p> <p style="text-align: center;">Implementation in Process</p>	