

Colorado

Office of Economic
Development and
International
Trade

ATTACHMENT C

Bill Ritter, Jr., Governor
Don Marostica, Executive Director

January 22, 2010

The Honorable David Schultheis
Chairman, Legislative Audit Committee
Colorado General Assembly
Denver, CO 80203

Dear Mr. Chairman:

Attached is a status report from the Colorado Tourism Office addressing the recommendations made in the Performance Audit by the Office of the State Auditor dated May 19, 2009.

Sincerely,



Kim McNulty
Director
Colorado Tourism Office

Colorado Tourism Office - May 2009 Program Audit

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.

Colorado Tourism Office Response:

a. Agree. Implementation Date: July 2009.

The Colorado Tourism Office (CTO) believes it has ensured that the State received maximum value for funds utilized to date based on the use of CTO, including Board-approved, and vendor agreed-upon measurable and deliverables (and monitoring of results) in addition to CTO's contracts containing enforceable provisions as a result of state legal counsel review and approval. The CTO understands the need and relevance of continuously strengthening its contracts when possible and ensuring compliance with the new law, Senate Bill 07-228. The State Controller's Office has made significant revisions to its contracting requirements and language over the last two years and has recently made model contract language available on-line to state agencies. The CTO is now using this available guidance and model to ensure that the most current contract language is consistent and current non-performance remedies are implemented in all of its contracts.

Progress by the Colorado Tourism Office:

Implemented. The Colorado Tourism Office has implemented this recommendation by utilizing the State Controller's Office new contract model language for all of its contracts which includes State-approved standard provisions for applying remedies and sanctions for nonperformance and termination, as well as measurements for contractor performance. While the CTO has reviewed, monitored and measured its programs and projects preformed by its contractors since 2000, language contained in the contracts has been strengthened for FY 2010.

b. Agree. Implementation Date: August 2009.

It is the CTO's understanding that there is no formal comprehensive contract training currently available to state employees. One CTO staff member has already attended and by the end of May 2009, two more CTO staff members will have participated in the procurement training suggested in the audit report. The other two members of the CTO staff will also participate in this training in the near future.

Progress by the Colorado Tourism Office:

Implemented. The Colorado Tourism Office has implemented this recommendation to the best of its ability. Two staff members participated in procurement training in May 2009; however, procurement training has since been eliminated by the State, and there is no contract training class provided by the State. We are awaiting manual and training information from the Controller's Office which is being monitored by OEDIT's controller.

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 provide sufficient documentation to demonstrate compliance with grant requirements, such as providing receipts and documentation of matching funds for all expenditures related to the grants.

Colorado Tourism Office Response:

- a. Agree. Implementation Date: July 2009.

The CTO's grant programs are contingent upon funding availability, which has fluctuated for the CTO. The CTO agrees to make every effort to provide consistent and longer marketing grant cycles; however, the CTO must maintain the ability to be flexible with its program should funding availability or CTO Board priorities or strategies change, which could impact grant programs and cycles.

Progress by the Colorado Tourism Office:

Implemented. The Colorado Tourism Office has implemented this recommendation by extending the length of the grant cycle to allow for year-round marketing activities so that grantees have more time to spend funds and complete projects.

- b. Agree. Implementation Date: Implemented.

The CTO was in the process of changing its grant practices for Fiscal Year 2009 when the audit began. Specifically, the CTO's practices include better reporting and more consistent requirements, which are standard among the heritage tourism and marketing grant programs. A standard form requiring submission of receipts and invoice documentation, proof of grant match and interim financial reports has already been implemented in the Fiscal Year 2009 grant cycles. In addition, both grant programs require that the final invoice is payable upon approval of all deliverables according to the grant agreement.

Progress by the Colorado Tourism Office:

Implemented. As stated above, the CTO had already changed its grant practices for FY 2009 to ensure better reporting and documentation, and more consistent requirements, including the use of standard forms that make it easier for the grantees to submit the required information. These requirements also are reflected in FY 2010 grants. In addition, for FY 2010, the CTO created instructional materials for grant recipients to ensure proper compliance and understanding of the grant process.

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.

Colorado Tourism Office Response:

Agree. Implementation Date: July 2009.

The CTO believes that the documentation received with invoices provided sufficient proof of payment for services rendered. Similar types of invoices have been reviewed in previous financial audits with no comment. However, the CTO is committed to continuing to improve its efficiency and documentation. The CTO will work with its contractors to ensure that additional back-up documentation is consistently provided, while being mindful of paper reduction efforts and limited storage factors. Beginning in Fiscal Year 2010, the CTO's contracts will require its contractors to provide electronic back-up documentation when substantial amounts of paper are involved and the Office of Economic Development and International Trade (OEDIT) Controller will develop procedures to randomly audit such invoices and documentation.

In addition, the CTO will continue to make every effort to pay invoices in a timely fashion. The CTO will develop policies starting in Fiscal Year 2010 for program managers to approve invoices under a certain dollar amount without additional signoff from the CTO director in order to expedite the processing of invoices. These policies will be implemented with the approval of the OEDIT Controller and will be distributed to all CTO staff.

Progress by the Colorado Tourism Office:

Implemented. The CTO has implemented this recommendation. Contractors are required to submit electronic back-up documentation on a quarterly basis, and the OEDIT Controller has developed procedures to randomly audit these documents. In addition, the CTO has developed a policy to expedite the processing of invoices which includes delegation of signing authority to appropriate personnel of whom have been made aware of their responsibilities and the policy.

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.

Colorado Tourism Board Response:

Partially Agree. Implementation Date: August 2009.

The Colorado Tourism Office Board of Directors will consider adopting a conflict of interest policy to be applied to the members of committees and subcommittees, including committees that review and recommend grant applicants and vendors. The Colorado Tourism Office Board of Directors will also discuss the development of a policy to address any potential conflict of interest with respect to gifts as it applies to the official activities of the Colorado Tourism Office Board.

Progress by the Colorado Tourism Office:

The Colorado Tourism Office (CTO) Board of Directors discussed adopting a conflict of interest policy and gift policy and asked the CTO to provide a policy recommendation. The Colorado Tourism Office requested that the Attorney General's Office provide counsel on the issue of a gift acceptance policy as well as a conflict of interest policy for the CTO Board of Directors' consideration. The CTO Board is expected to review the guidance of the Attorney General's Office in February or March 2010.