

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

Agreed-upon Procedures Report

Fiscal Year Ended June 30, 2022

FORVIS

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Members of the Legislative Audit Committee:

This report contains the results of our procedures surrounding the Colorado Tourism Office. We were engaged to conduct these procedures pursuant to Section 24-49.7-108, C.R.S., which requires that the State Auditor review, at least every five years, the manner in which monies are expended, any contracts entered into, and the activities of the Tourism Board and the Tourism Office to ensure compliance with Section 24-49.7-101 et seq., C.R.S. In addition, we were engaged under Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports we have issued as a result of this engagement are set forth in the table of contents as follows.

FORVIS, LLP

Denver, Colorado
December 22, 2022

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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, Section 49.7, C.R.S. state statute [Section 24-49.7-101 through 104, C.R.S.] which 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.



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Accountant's Compilation Report

Legislative Audit Committee
and Colorado Tourism Office
Denver, Colorado

Management is responsible for the accompanying statement of revenues and expenditures and changes in fund balance of the Colorado Tourism Office as of June 30, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants for the years ended June 30, 2022 and 2021. We did not audit or review the financial statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

FORVIS, LLP

Denver, Colorado
December 22, 2022

**Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2022 and 2021**

	2022	2021
Revenues		
Transfers from Limited Gaming	\$ 14,500,000	\$ -
Transfers from General Fund	-	10,000,000
Federal grants	597,224	33,361
Other interest income	413,132	70,913
Other revenue	<u>394,128</u>	<u>281,979</u>
 Total revenues	 <u>15,904,484</u>	 <u>10,386,253</u>
 Expenditures		
Professional services	15,141,125	13,251,279
Personnel	1,630,547	1,182,468
Travel	96,319	6,346
Intergovernmental payments	26,930	91,799
Grants to nongovernmental organizations	1,365,195	163,055
Distributions to nongovernmental organizations	9,330,198	-
Advertising and marketing	257,069	612,880
Purchased services	302,880	-
Dues and memberships	55,820	55,740
Other operating expenditures	<u>239,947</u>	<u>270,080</u>
 Total expenditures	 <u>28,446,030</u>	 <u>15,633,647</u>
 Net Change in Fund Balance	 (12,541,546)	 (5,247,394)
 Fund Balance, Beginning of the Year	 <u>22,616,214</u>	 <u>27,863,608</u>
 Fund Balance, End of the Year	 <u><u>\$ 10,074,669</u></u>	 <u><u>\$ 22,616,214</u></u>



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Independent Accountant's Report on Application of Agreed-upon Procedures

Legislative Audit Committee
and Colorado Tourism Office
Denver, Colorado

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 year ended June 30, 2022. The management of the Colorado Tourism Office is responsible for its financial statement elements, accounts, and items. The sufficiency of these 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 Colorado Tourism Office has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement as of and for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the status of the prior recommendation is described in the attachment to this report.

We were engaged by the Colorado Office of the State Auditor on behalf of the Colorado Tourism Office to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, and items described above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Colorado Tourism Office to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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. However, upon release by the Legislative Audit Committee this report is a public document.

FORVIS,LLP

Denver, Colorado
December 22, 2022

Procedures Performed

1. Hold an entrance conference with CTO on or before August 1, 2022.

We held an entrance conference on August 1, 2022, with representation from FORVIS, the Office of the State Auditor (OSA) and the Colorado Tourism Office (CTO) to discuss preliminary logistics of the fiscal year 2022 agreed-upon procedures engagement such as timing of fieldwork and procedures to be performed.

2. Review the CTO's Board of Directors' minutes.

- a. Obtain and read the board minutes for fiscal year 2022 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 (Section 24-49.7-101 et seq. C.R.S.).
 - ii. Changes in the nature of the CTO's programs.
-

We obtained and reviewed minutes from all Board of Directors' meetings held during fiscal year 2022. Through review of the minutes, we noted that decision and action items discussed were consistent with the goals of the CTO and no major changes in the nature of the CTO's programs were noted.

3. Review contracts between the CTO and its vendors for appropriateness and compliance with Section 24-49.7-101 et seq., C.R.S.

- a. Identify the population, including amounts of vendor contracts from fiscal year 2022. From the population, select and obtain a sample of the CTO's vendor contracts from fiscal year 2022. The sample should include at least one grant contract.
 - b. Describe the CTO's approval process for contracts and grant contracts and review to ensure appropriate approval and signing.
-

CTO provided a listing of contracts for fiscal year 2022, as described below:

We noted a total of 118 vendor contracts during fiscal year 2022 with an aggregate value of \$27,134,267. Of these 118 contracts, 41 were identified as being grant-related. The contracts ranged in value from \$201 to \$9,894,000. Grant-related contracts ranged in value from \$7,680 to \$200,000.

Based on these contracts, we first selected the five largest contracts representing a total of \$21,785,486, or 80.29% of all fiscal year 2022 contracts. We then selected every 9th contract in descending value order from the remaining population of contracts with a value of \$25,000 or greater, ensuring at least one grant contract was selected for testing. This process yielded 12 total contracts for testing with an aggregate value of \$22,207,706, or 81.84% of all contracts. Three of the contracts selected for testing were grant-related.

Through review of contracts, we noted the CTO's approval process for contracts includes the standard state contract form requiring signature and approval by the vendor, the Executive Director of the Office of Economic Development & International Trade, and the State Controller (or his delegate). The effective date of contracts is considered the signature date of the State Controller (or his delegate) on the contracts.

We noted for all purchase orders selected for testing (purchases equal to or less than \$100,000 per state statute), the CTO's approval process included the requirement of signature and approval by the State Controller (or his delegate) and the Director of CTO.

Contracts

The following contracts were selected for review during the current year:

MMGY Global LLC (CT 2022-494 CPC-002751) dated as signed on June 10, 2021, totaling \$9,994,000 for the period July 1, 2021 through June 30, 2022. Contract was amended on May 12, 2022, totalling \$9,894,000 for the period July 1, 2021 through June 30, 2022.

Metropolitan State University of Denver (CT 2022-2026 CPC-002919) dated as signed on July 16, 2021, totaling \$9,114,514 for the period July 16, 2021 through June 30, 2023. Contract was amended on June 23, 2022, totaling \$8,975,000 for the period June 23, 2022 through September 30, 2024.

K&H LLC (CT 2022-0607 CPC-002837) dated as signed on June 11, 2021 totaling \$895,900 for the period July 1, 2021 through June 30, 2022. Contract was amended on May 17, 2022, totaling \$1,180,900 for the period July 1, 2021 through June 30, 2022.

Miles Partnership (CT 2022-0597 Miles Partnership FY22) dated as signed on June 9, 2021 totaling \$1,227,606 for the period July 1, 2021 through June 30, 2022. Contract was amended on April 27, 2022, totaling \$1,077,606 for the period July 1, 2021 through June 30, 2022.

Handlebar PR LLC (CT 2022-0608 CPC-002783) dated as signed on June 11, 2021 totaling \$372,980 for the period July 1, 2021 through June 30, 2022. Contract was amended on November 29, 2021, totaling \$372,980 for the period covering November 29, 2021 through June 30, 2022.

Confluence Sustainability (PO 2022-5607) dated October 8, 2021 totaling \$130,000 for the period October 8, 2021 through June 15, 2022.

Sedgwick County (PO 2022-0412 SEDGWICK COUNTY) dated May 21, 2021 totaling \$86,520 for the period July 1, 2021 through June 30, 2022.

Dean Runyan Associates Inc (PO 2022-9968 DEAN RUNYAN ASSOCIATES INC) dated March 3, 2022 totaling \$65,000 for the period March 2, 2022 through June 30, 2022.

Colorado Springs Convention & Visit (POGG1 2022-2561 COLORADO SPRINGS CONVENTION & VISIT- FY22 Marketing Grant) dated November 18, 2021 totaling \$40,000 for the period January 1, 2022 through December 31, 2022.

Steamboat Springs Chamber Resort Association (POGG1 2022-2559 STEAMBOAT SPRINGS CHAMBER RESORT ASSOC. INC-FY22 Tourism Grant) dated November 17, 2021 totaling \$40,000 for the period January 1, 2022 through December 31, 2022.

CrowdRiff (PO 2022-1204 CPC-002776) dated as signed on June 22, 2022 totaling \$33,500 for the period July 1, 2021 through June 30, 2022.

Vail Valley Partnership (POGG1 2022-2557 VAIL VALLEY PARTNERSHIP-FY22 Tourism Marketing Grant) dated November 17, 2021 totaling \$27,200 for the period January 1, 2022 through December 31, 2022.

The State Controller (or his delegate), the vendor, and the Executive Director of OEDIT approved all contracts tested for fiscal year 2022. All contracts tested were signed prior to the beginning of work or incurrence of related expenditures. Timing and completion of signatures and approvals based on the policies in effect for the contracts noted above were considered appropriate.

-
- 4. Review the annual operating budget of CTO for the fiscal year ended June 30, 2022, and a comparison to actual revenue and expenditures.**
- a. Identify whether an initial budget was provided to the Board at the beginning of the fiscal year.*
 - b. Identify whether any changes to the budget were communicated to the Board throughout the year.*
 - c. Compare actual revenues and expenditures to budgets.*
-

During our review of the Board minutes, we noted the annual operating budget was provided to the Board for review and approval. Additionally, it was noted that the initial budget for fiscal year 2022 was provided to the Board during the July 14, 2021 meeting (the beginning of the new fiscal year).

Subsequent updates or changes to the budget are noted in the minutes as having been discussed and recorded under the sections titled “Fiscal Update” or some variation.

Per review of the minutes, it was noted that the budget is updated for changes throughout the year, but also includes a comparison of budget to actual as well as a comparison to fiscal year-to-date budget. Any variances are identified between actual year-to-date expenses and year-to-date budget for ease of comparison. Proper review of budgeted to actual revenues and expenditures appears to be completed by CTO staff and presented to the Board for review. FORVIS reviewed the budget to actual comparisons included within the minutes noting no significant expenditures in excess of budgeted amounts.

5. Identify whether the CTO’s Board of Directors is in compliance with the provisions of Section 24-49.7-101 et seq., C.R.S.

Through review of the board minutes and testing completed on contracts, revenues and expenses, we noted the activities of the CTO appear to be consistent with and in compliance with the provisions of Section 24-49.7-101 et.seq., C.R.S. Activities required under State statute include annual adoption of an operating budget, administration of policy, and proper planning for the promotion and development of the travel and tourism industries.

6. Evaluate the manner in which the monies from the travel and tourism promotion fund and the additional source fund are expended and whether such funds were spent in accordance with Section 24-49.7-101 et seq., C.R.S.

a. This evaluation should include a comparison of a sample of expenditures to the limitations set forth in Section 24-49.7-106, C.R.S.

Through review of the board minutes and testing completed on contracts, revenues and expenditures, we noted the activities of the CTO appear to be consistent with and in compliance with the provisions of Section 24-49.7-101 et seq., C.R.S.

7. Evaluate CTO’s internal controls over revenues and expenditures for the travel and tourism promotion fund and the additional source fund.

- a. Develop an understanding of internal controls over revenue and expenses through:*
- i. Testing performed in other steps*
 - ii. Inquiry*
 - iii. Process documentation*
- b. Describe the policies or significant components of the controls as noted.*
-

As a division of the OEDIT, the CTO follows the fiscal and procurement policies of the OEDIT. State fiscal rules surrounding the requirement of purchase orders or contracts for purchasing are also followed.

Upon receipt of invoices for expenditures, the Fiscal & Operations Manager, reviews an invoice and provides the invoice to the program manager or director responsible for the contract for which the underlying expenditure relates. This manager or director will further review the invoice to ensure the expenditure is reasonable and in compliance with the contract and its expected charges. The invoice is then provided to the CTO Director for the final approval of the invoice before it is provided to the accounting staff of the OEDIT for processing. Accounting staff generate payment vouchers that are then approved by authorized State accounting personnel. This is typically the OEDIT Accounting Manager or the Controller. The Office of the State Controller generates warrants or other payments payable and then warrants (checks) or funds transfers (EFTs) are initiated. After payment is processed, the OEDIT accounting function attaches the invoice and any relevant support together and includes the warrant or EFT information on the face of the invoice before filing.

With respect to revenue controls, we noted that the revenue stream for CTO primarily consists of lump-sum 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 eight (8) for testing of revenues and expenditures from throughout the fiscal year to confirm our understanding of internal controls and procedures in place. No reportable issues were identified in these procedures.

8. Identify whether CTO properly recorded 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 the sample of contracts selected for testing. Test a maximum of all or fifteen expenditures per contract.*
 - c. *Compare transaction activity with the provisions of the related contracts.*
-

Revenue Sources

Revenue sources for the CTO during fiscal year 2022 consisted primarily of transfers from the gaming fund (\$14.5 million) and interest income (\$413,132). Secondary sources of revenue consisted of grants (\$597,224), and other revenue (\$394,128).

Expenditure Testing

For the 12 contracts reviewed, we selected the greater of 15 expenditures or all expenditures indicated for that contract, if less than 15 during the fiscal year. The selection resulted in 95 items selected for review related to fiscal year 2022. Through completion of the testing, it was noted that expenditures were consistent with requirements of the contract, contained proper approval for each invoice, and were recorded in the proper period.

9. For privatized contracts, test contract monitoring procedures of 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 fiscal year 2022 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. Additionally, monthly distribution reports are to be provided to CTO staff, committees, and board members. The contractor is to provide weekly status reports and review status during weekly meetings. CTO was able to provide monthly income statement schedules for fiscal year 2022 in addition to agendas for the weekly meetings occurring during the fiscal year.

As only one privatized contract was identified, we selected this contract and tested expenditures and the process (walkthrough), noting that those expenditures were properly approved and consistent with the requirements of the contract.

10. Identify whether 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, two program staff at the CTO oversee the Welcome Center operations and 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 throughout 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. In addition, Welcome Centers have the following monitoring procedures in place:

- Budget tracker for all Welcome Centers.
- Monthly Welcome Center managers meetings to discuss procedures and operations.
- Monthly reporting that includes statistics on visitation and updates on Welcome Center activities.
- Weekly calls between Welcome Center managers and the Senior Manager of Visitor Services.
- Annual quality control visits to each Welcome Center.

Oversight, as a result, is consistent with other components of the organization and is considered adequate.

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

1. Our procedures related to the fiscal year 2022 agreed-upon procedures engagement were performed during October 2022. At the conclusion of fieldwork, CTO personnel included the CTO Director, Senior Fiscal & Operations Manager, and Administrative Coordinator. The CTO staff consisted of fifteen additional personnel serving the following primary roles:

- Brand Manager
- Communications Manager
- Deputy Director for U.S. Marketing
- Website Marketing Manager
- Director of International Tourism
- International Promotions Manager
- International Program Manager
- Deputy Director, Destination Stewardship
- Destination Development Program Manager
- Director of Destination Development
- Destination Stewardship Specialist
- Director of Visitor Services, Destination Stewardship
- Program Manager, Destination Stewardship
- Director of Grants and Funding, Destination Stewardship
- Grants and Funding Manager

Please refer to the description of the Colorado Tourism Office also included as page 1 of the report.

12. Compile a summary of revenues and expenditures and changes in fund balance for the CTO for the fiscal year ended June 30, 2022.

The compiled Summary of Revenues, Expenditures and Changes in Fund Balance, for which management is responsible, is included as page 3 of this report.

13. Perform follow-up procedures on the one outstanding prior recommendation contained in the Fiscal Year 2017 agreed-upon procedures report.

Please refer to the “Disposition of Fiscal Year 2017 Recommendations to the Colorado Tourism Office” section of this report.

14. Hold an exit conference with CTO and the OSA on or before December 31, 2022, to discuss the draft report and recommendations.

An exit conference was held on December 22, 2022 with representation from FORVIS, the Office of the State Auditor (OSA) and the Colorado Tourism Office (CTO) to discuss the draft report and recommendations.

**Disposition of Fiscal Year 2017 Recommendations to the
Colorado Tourism Office dated January 12, 2018**

Recommendation No. 1 – Expenditure Recorded in Improper Period

The Colorado Tourism Office (CTO) should continue to focus attention on the cut-off period surrounding fiscal year-end as to ensure all expenditures are recorded within the proper period. Year-end procedures should be reviewed and updated, as necessary, to ensure proper cut-off of expenditures occurs. Communication between CTO staff, reviewers, and the accounting department should occur with respect to year-end dates to ensure all expenditures are paid or accrued for in the proper fiscal year.

Status Determined by FORVIS: IMPLEMENTED