

**STATE OF WEST VIRGINIA**

**FULL PERFORMANCE EVALUATION  
OF THE**

**TOURISM COMMISSION**

Improvements in Administration of  
Cooperative Tourism Promotion Fund  
Grants Are Needed

Weak Cash Controls In Telemarketing Unit

Promotional Stamp Program Is Not Cost  
Beneficial

**OFFICE OF LEGISLATIVE AUDITOR**

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December 1996

**WEST VIRGINIA LEGISLATURE**  
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December 3, 1996

The Honorable A. Keith Wagner  
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Box 446  
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The Honorable Joe Martin  
West Virginia State Delegate  
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Gentlemen:

Pursuant to the West Virginia Sunset Law, we are transmitting the Full Performance Evaluation of the Tourism Commission, which will be reported to the Joint Committee on Government Operations on Monday, December 9, 1996.

Please let me know if you have any questions regarding this report.

Sincerely,

A handwritten signature in cursive script that reads "Antonio E. Jones".

Antonio E. Jones

AEJ/kcm

Enclosure

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*Joint Committee on Government and Finance*

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## EXECUTIVE SUMMARY

Approximately 123 million people live within 500 miles of Charleston, West Virginia. In other words, the state is located within a day's drive for 50 percent of the nation's population. West Virginia's proximity to such a large portion of the nation's population enabled the state's tourism industry to derive receipts totaling \$3.030 billion in 1989. By 1995, the industry generated receipts of \$3.823 billion, representing a 26 percent increase over 1989. Similarly, the industry employed 63,969 persons with a payroll of \$1,130,000,000 in 1989. By 1995, 72,706 persons were employed by the industry with a payroll of \$1.4 billion. The changes in employment and payroll during this time are 14 percent and 22 percent, respectively. Finally, tax receipts derived from tourism related sources increased 25 percent from \$156 million in 1989 to \$195 million in 1995.

State government responsibility for enhancing West Virginia as a tourist destination falls with the Tourism Commission. The Commission was created within the West Virginia Development Office to replace the Division of Tourism. The Commission and its staff are responsible for a variety of activities and programs. One of the most important functions of the Commission is their responsibility to issue grants to tourism entities from the **Cooperative Tourism Promotion Fund (CTPF)**. The Fund helps public and private sector tourism entities reach new markets through grants for direct advertising. According to the *West Virginia Code*, direct advertising refers to "advertising which is limited to television, radio, mailings, newspaper, magazines and outdoor billboards, or any combination..." Further, the program encourages tourism related businesses and organizations to form partnerships to promote a specific region or product. Tourism businesses and organizations are to combine efforts within their region in an effort to stretch their advertising budgets and reach markets they could not afford to reach on their own. Regional advertising is also an attempt to help tourists identify attractions surrounding a single destination.

### **ISSUE 1: THE TOURISM COMMISSION APPROVES GRANT ACTIVITIES THAT ARE NOT DEFINED IN CODE**

*West Virginia Code* §5B-2-12 directs that funds in the Cooperative Tourism Promotion Fund be used for direct advertising of travel and tourism. Subsection a of the section defines direct advertising as "advertising which is limited to television, radio, mailings, newspaper, magazines and outdoor billboards, or any combination thereof" (Emphasis added). However, the Commission has approved 20 grant applications that include expenditures for activities not included in the definition such as advertising on the Internet, research, promotional items and various gatherings of persons active in the tourism industry. While these activities may present opportunities for cost beneficial and effective marketing of West Virginia as a tourism destination, they are not included in the statutory definition of direct advertising. The Legislature may consider expanding the definition of direct advertising to include other activities that are not currently in the definition.

**ISSUE 2: INCOMPLETE GRANT APPLICATIONS ARE BEING APPROVED BY THE TOURISM COMMISSION**

Procedural Rule §144-2-3.2 sets forth guidelines for the submission of grant applications.

The application shall include the complete advertising or marketing plan, in sufficient detail to permit evaluation against the required criteria. The application shall include a complete media plan with run dates and advertising costs as well as a complete description of the project, event, fair or festival. The information shall be broken out by individual publications with ad size, specific broadcast stations, billboard locations, advertising agency fees, printing costs, production supplier/vendor costs and any other applicable costs.

Furthermore, Procedural Rule §144-2-4.1 requires that “*The Division shall review all applications for completeness and conformance to guidelines. Applications deemed not complete or not in conformance with guidelines by the Division shall be returned to the applicant for additional information.*” The guidelines list the elements necessary for applications to be deemed complete. However, analysis of the 40 approved grant applications revealed that 27 were not written in conformance to the guidelines in §144.2-3.2.

**ISSUE 3: THE TOURISM COMMISSION AND ITS COOPERATIVE TOURISM PROMOTION FUND COMMITTEE DO NOT MAINTAIN PROPER RECORDS**

The process for allocating grants to tourism entities includes meetings of the CTPF Committee and the consideration of various documents. However, the CTPF Committee does not keep minutes of its proceedings. Further, the score sheets and evaluation findings of grant applications generated by the CTPF Committee and considered by the Tourism Commission are not maintained in a central location. Finally, grant applications that are rejected or returned to applicants for further clarification are not kept on file by either the CTPF Committee or the Tourism Commission.

**ISSUE 4: GRANT EVALUATION REPORTS ARE NOT BEING SUBMITTED TO THE TOURISM COMMISSION**

In June 1996, the Tourism Commission amended the Procedural Rules to include a provision that requires grant recipients to track and evaluate the effectiveness of their grant award. Rule 144-2-8.3 states, “*Approved grant recipients shall provide to the Division quarterly written evaluations of the advertising program supported by the grant.*” However, for the period of July 1 to November 15, 1996, only 18.6% of the quarterly reports due have been submitted by grant recipients. In addition, the Commission has not established a formal requirement that grant recipients provide final completion reports detailing the impact of their subsidized advertising effort. Accordingly, no final completion reports have been submitted.

**ISSUE 5: THE TELEMARKETING UNIT HAS INADEQUATE CASH CONTROL PROCEDURES FOR 800 SERVICE SUBSCRIBERS AND LABEL CUSTOMERS**

The Telemarketing unit has not provided staff that have cash management responsibilities with job descriptions or policy statements that define their duties and responsibilities. Second, one person handles a variety of tasks in the cash management process resulting in a weak control environment. Finally, the lack of cash reconciliation also contributes to a weak cash control environment.

**ISSUE 6: THE PROMOTIONAL STAMPS PROGRAM HAS A WEAK INTERNAL CONTROL SYSTEM FOR CASH TRANSACTIONS**

The Director of the Promotional Stamps program performs all of the duties associated with the program and there is no reconciliation process to verify the cash management of the process. For example, the Director does the invoicing, receives checks from the mail room unopened and posts checks on a public order list. Presently, no reconciliation function exists for the program. Further, the mail room neither opens the checks nor do they complete a daily log of the checks received. The weak control environment raises the potential for loss of resources.

**ISSUE 7: THE WEST VIRGINIA PROMOTIONAL STAMPS PROGRAM IS NOT SELF SUFFICIENT**

The original Promotional Stamps proposal states, "*The financing could and should come from firm in-house commitments for product from DNR, Travel & Tourism, Arts & Education and such other state agencies deemed appropriate....*" Furthermore, legislative digests from fiscal years 1996 and 1997 state that, "*The Legislature further encourages the various agencies of State government, especially the Division of Tourism and the Division of Parks, to use these stamps for promotional purposes.*" The program's intent was to send out a positive image of West Virginia. However, as of August 13, 1996, the program has had only 205 customers purchase stamps directly from the program staff and no state agency has entered into a contract to purchase the stamps. **With minimal sales, the program's expenses are greater than its revenues.** As a result, the Promotional Stamps program is not self sufficient. Consequently, the program has had to be subsidized in the last two years with \$10,000 from the Tourism Commission's advertising budget.



## OBJECTIVE, SCOPE AND METHODOLOGY

This full performance evaluation of the West Virginia Tourism Commission was conducted in accordance with the West Virginia Sunset Law, Chapter 4, Article 10 of the *West Virginia Code*. The West Virginia Sunset Law establishes a system that enables the Legislature to evaluate state agencies and determine whether the agency should be terminated, continued or reestablished. Specifically, a full performance evaluation is a means to determine for an agency whether or not the agency is operating in an efficient and effective manner and to determine whether or not there is a demonstrable need for the continuation of the agency. Evaluation criteria used by the Joint Committee on Government Operations includes the following:

- if the agency was created to resolve a problem or provide a service;
- if the problem has been solved or the service has been provided;
- the extent to which past agency activities and accomplishments, current projects and operations and planned activities and goals are or have been effective;
- if the agency is operating efficiently and effectively in performing its tasks;
- the extent to which there would be significant and discernable adverse effects on the public health, safety or welfare if the agency were abolished;
- if the conditions that led to the creation of the agency have changed;
- the extent to which the agency operates in the public interest;
- whether or not the operation of the agency is impeded or enhanced by existing statutes, rules, procedures, practices or any other circumstances bearing upon the agency's capacity or authority to operate in the public interest, including budgetary, resource and personnel matters;
- the extent to which administrative and/or statutory changes are necessary to improve agency operations or to enhance the public interest;
- whether or not the benefits derived from the activities of the agency outweigh the costs;
- whether or not the activities of the agency duplicate or overlap with those of other agencies, and if so, how the activities could be consolidated;
- whether or not the agency causes an unnecessary burden on any citizen by its decisions and activities;
- what the impact will be in terms of federal intervention or loss of federal funds if the agency is abolished;

The evaluation of the Tourism Commission covers the period of March 1995 to the present. The evaluation included a planning process and the development of audit steps necessary to collect competent, sufficient and relevant evidence to answer the audit objectives. Documentary, physical, testimonial and analytical evidence used in the evaluation was collected through interviews, review and analysis of agency records and site visitations.<sup>1</sup> The evaluation was conducted in accordance with Generally Accepted Government Auditing Standards.

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<sup>1</sup> Documentary evidence is created information such as letters, contracts and records. Physical evidence is the direct observation of the activities of people, property or events. Testimonial evidence consists of statements received in response to inquiries or from interviews. Analytical evidence includes the separation of information into components such as computations, comparisons and reasoning.



## WEST VIRGINIA'S TOURISM INDUSTRY

Approximately 123 million people live within 500 miles of Charleston, West Virginia. In other words, the state is located within a day's drive for 50 percent of the nation's population. In 1989, the West Virginia tourism industry's receipts totaled \$3.030 billion. By 1995, the industry generated receipts of \$3.823 billion, representing a 26 percent increase over 1989. Similarly, the industry employed 63,969 persons with a payroll of \$1,130,000,000 in 1989. By 1995, 72,706 persons were employed by the industry with a payroll of \$1,378,000,000. The changes in employment and payroll during this time are 14 percent and 22 percent, respectively. Finally, state tax receipts derived from tourism related sources increased 25 percent from \$156 million in 1989 to \$195 million in 1995. Table 1 lists the total receipts, total jobs, total payroll and total tax receipts for 1989 to 1995.

YEAR	TOTAL RECEIPTS	TOTAL JOBS	TOTAL PAYROLL	TOTAL TAX RECEIPTS
1989	\$3,030,000,000	63,969	\$1,130,000,000	\$156,000,000
1990	\$3,206,000,000	66,932	\$1,197,000,000	\$165,000,000
1991	\$3,300,000,000	66,150	\$1,230,000,000	\$169,000,000
1992	\$3,419,000,000	66,610	\$1,276,000,000	\$176,000,000
1993	\$3,554,000,000	69,213	\$1,324,000,000	\$182,000,000
1994	\$3,675,000,000	71,579	\$1,370,000,000	\$189,000,000
1995	\$3,823,000,000	72,706	\$1,378,000,000	\$195,000,000

SOURCE: West Virginia University Center for Economic Research

The broad concept of tourism can be refined into three sales categories with a variety of products offered in each category that attract potential visitors and consumers. These categories are **Adventure Travel**, **Nature Based Tourism** and **Eco-Tourism**; **Heritage Tourism**; and **Destination Specific Tourism**. Lifestyle and vacation trend analyses, advertising effectiveness studies and market assessments indicate that these areas represent a strong potential for growth and development in the state. Table 2 lists the products offered in each sales category.

**TABLE 2**  
**Tourism Products Offered**  
**Within**  
**Sales Categories**

Sales Category	Products Offered
Adventure Travel, Nature Based Tourism, and Eco-Tourism includes:	Camping; Day-Use Parks; Fishing; Walking/Hiking; Boating; Canoeing/Kayaking; Skiing; Whitewater Rafting; Float Trips; Horseback Riding; Cycling/Biking; Rock Climbing; Caving; Scuba Diving; Photography; Fall Foliage; Wild Flowers; Wildlife; State Parks/Related Programs; Unique Attractions/Events.
Heritage Tourism includes:	Festivals & Events; Performing Arts; Museums/Galleries; Crafts; Living History Exhibits; Industrial Tourism Exhibits; Unique Architectural Qualities; Rail Excursions; Historic Sites; Bed & Breakfast/Historic Lodging.
Destination Specific includes:	Resort State Parks; Spas; Unique Shopping Venues; Spectator Sports; Attractions; Special Events; Bed & Breakfast; Meeting & Convention Facilities; Golf; Skiing.
SOURCE: 1996 Update of the West Virginia Strategic Marketing Plan	

## **LEGISLATIVE HISTORY**

The Division of Tourism and Parks was established July 1, 1990 pursuant to *West Virginia Code* §5B-1-4 as a division of state government under the Department of Commerce, Labor and Environment. Legislation enacted during the 1994 Legislative Session reorganized state government by abolishing the Department of Commerce, Labor and Environmental Resources and subsequently creating the Bureau of Commerce, the Bureau of Employment Programs and the Bureau of Environment. During the 1995 Legislative Session, Senate Bill 33 was enacted transferring the tourism functions to the West Virginia Development Office effective March 11, 1995. The bill repealed *West Virginia Code* §5B-1-1 et seq., the Division of Tourism and Parks enabling legislation, and placed supervision of state parks, forests and wildlife management areas under the Division of Natural Resources. Alternatively, the Tourism Commission was created within the West Virginia Development Office and empowered pursuant to *West Virginia Code* §5B-2-8 through §5B-2-13.



## TOURISM COMMISSION

The Tourism Commission is composed of nine members. Six of the members are appointed by the Governor to represent the private-sector tourism industry. Of these six members, two represent convention and visitors bureaus. No more than two of the six private sector members will be from the same congressional district. One Commission member is appointed to represent the public sector non-state participants in the tourism industry. A member of the Council for Community and Economic Development must sit on the Commission. Finally, the Secretary of Transportation or a designee shall sit on the Tourism Commission. The Commission is organized into the following committees: Executive; Education and Training; Cooperative Tourism Promotion Fund; and Marketing. (Appendix A lists Tourism Commission members and their committee assignments.)

**TABLE 3**  
**Principles of the Tourism Commission**

**VISION STATEMENT**

To cultivate a world class travel and tourism industry in West Virginia through the creation of jobs, stimulation of investment, the expansion of current tourism attractions and the promotion of a positive state image, thereby, improving the way of life for West Virginians.

**MISSION STATEMENT**

The Tourism Commission, in partnership with the private tourism industry and as a function of the West Virginia Development Office, works to heighten awareness of the tourism offerings in the state, thereby, diversifying West Virginia's economic base through tourism growth.

**GOALS AND OBJECTIVES**

- Diversify West Virginia's economic base by increasing overall economic impact of tourism;
- Work to cultivate new tourism development and investment;
- Create opportunities for communities to diversify local economies through tourism development;
- Increase business receipts for existing traveler-dependent business;
- Create jobs through tourism growth;
- Identify opportunities for expansion of existing tourism offerings and work with private sector officials, public officials and the Development Office to accomplish the aforementioned; and
- Increase county and local government tax revenues through tourism growth.

**PART I - COOPERATIVE TOURISM PROMOTION FUND GRANTS**

Pursuant to House Bill No. 4169 passed during the 1996 Legislative Session, three percent of video lottery income is allocated to the Cooperative Tourism Promotion Fund (CTPF). The Fund is administered by the Commission to help public and private sector tourism entities reach new markets through grants for direct advertising. According to the *Code*, direct advertising refers to "*advertising which is limited to television, radio, mailings, newspaper, magazines and outdoor billboards, or any combination...*" Further, the program encourages tourism related businesses and organizations to form partnerships to promote a specific region or product. Tourism businesses and organizations are to combine efforts within their region to stretch their advertising budgets and reach markets they could not afford to reach on their own. Regional advertising is also an attempt to help tourists identify attractions surrounding a single destination. The video lottery proceeds available to the Commission average approximately \$30,000 per week. As of the October 4, 1996 CTPF Grant Listing, \$1,023,461 was available for direct advertising grants from the Cooperative Tourism Promotion Fund.

Upon receiving an award, grant recipients are required to submit their invoices for reimbursement of direct advertising expenditures as described in their application. The invoices

are submitted to the agency's Director of Administration for reimbursement of up to 50 percent of the incurred costs. In addition, the Director of Administration provides the Director of Advertising the invoices for review to ensure that the costs are attributable to direct advertising. This dual review serves as an auditing function. The Director of Administration has recently begun asking for additional backup information with the invoices. Table 4 provides a brief overview of the grants funds awarded as of October 4, 1996.

<b>TABLE 4</b>	
<b>Cooperative Tourism Promotion Fund</b>	
<b>Grant Funds Awarded and Available</b>	
Number of Grant Recipients	40
Grant Funds Awarded to Recipients	\$1,658,463
Grant Funds Available for Grant Awards	\$1,023,461
SOURCE: Tourism Promotion Fund Grant Listing for October 4, 1996.	

**Grant Application Process**

Two types of grants are available: a \$500 small grant; and a \$10,000 matching grant. The small grant program includes, but is not limited to events, fairs and festivals and must not exceed \$500 per applicant. Applicants must provide at least 50 percent of the total project cost and may only use the funds for ongoing advertising. Small grant awards shall not exceed an aggregate amount of \$25,000 in any fiscal year. The \$10,000 matching grant type is limited to tourism businesses and organizations that can provide 50 percent of the total project cost and the match must be at least \$10,000.

Convention and visitors bureaus, private sector tourism businesses or industry specific associations submit grant applications to the Tourism Commission. Grant applications must specify beginning project date, ending project date and describe the total project, including a complete media breakout. Finally, grant applicants must include a total project budget including local source of funds or match. The Cooperative Tourism Promotion Fund Committee evaluates each grant application based on a 100 point scale. An applicant must score 70 or above to be approved for a grant. Applications deemed incomplete are not scored and are returned to the applicant for further development. Table 5 describes the Commission's grant application evaluation methodology.

<b>TABLE 5</b>	
<b>Evaluation Criteria For Grant Applications</b>	
<b>Evaluation Criteria</b>	<b>Points</b>
Project demonstrates potential for a strong positive return on investment and is well researched, including tracking and evaluation measures.	25
Project is appropriate to the market selected, complements or carries forward goals or objectives included in the Tourism Strategic Marketing Plan.	25
Project encompasses multiple attractions, municipalities, counties or a regional development district or districts up to a recognized region in scope.	20
Project is of creative, professional quality and attainable with the funds requested or with additional identified and available funds.	20
Project reaches new markets or media.	10
<b>Total Points...</b>	<b>100</b>
Source: Grant Application Form, Procedural Rules	

An application not submitted ten days before a Commission meeting is held until the following month's Commission meeting. The Cooperative Tourism Promotion Fund Committee reviews grant applications before each monthly Tourism Commission meeting and reports the scores and recommendations to the entire Commission. The Commission then makes a final decision to approve or ask for a resubmission of the grant applications. Applicants that are asked to resubmit their proposals are sent a cover letter referring them to the CTPF Committee Chair for information about their application. Successful applicants are sent a letter notifying them of the award and that reimbursement will be available on a quarterly basis according to their project dates.

**ISSUE 1: THE TOURISM COMMISSION APPROVES GRANT ACTIVITIES THAT ARE NOT DEFINED IN CODE**

*West Virginia Code* §5B-2-12 directs that funds in the Cooperative Tourism Promotion Fund be used for direct advertising of travel and tourism. Subsection a of the section defines direct advertising as “advertising which is **limited** to television, radio, mailings, newspaper, magazines and outdoor billboards, or any combination thereof” (Emphasis added). However, the Commission has approved 20 grant applications that include expenditures for activities not included in the definition such as advertising on the Internet, research, promotional items and various gatherings of persons active in the tourism industry. While these activities may present opportunities for cost beneficial and effective marketing of West Virginia as a tourism destination, they are not included in the statutory definition of direct advertising.

**Procedural Rule Expands Definition of Direct Advertising**

Procedural Rule §144-2-7.1 adopted by the Commission states, “Eligible expenditures are those directly related to direct advertising. Direct advertising includes but is **not limited** to advertising on television, radio, newspaper, magazines and outdoor advertising (billboards) or any combination thereof” (Emphasis added). The Procedural Rule definition expands the scope of direct advertising and redefines what grant funds can be used for when compared to the *Code’s* explicit limit on direct advertising expenditures to television, radio, mailings, newspaper, magazine and outdoor billboards.

An analysis of grant applications is presented in Table 6. The Table lists the total number of grants awarded, a classification of grant awards by statutory compliance and the amount of money associated with each classification. Grants awarded that were used only for activities defined in statute as direct advertising are in **full compliance** with the *Code*. Grants awarded that allocated some portion of the grant to objects of expenditure that are not included in the statutory definition of direct advertising are in **partial compliance** with the *Code*. Finally, grants awarded that were only for objects of expenditure that are not included in the statutory definition of direct advertising are classified as being in **non-compliance** with the *Code*.

<b>TABLE 6</b> <b>Grants Approved in Compliance with</b> <b>West Virginia Code §5B-2-12</b>		
	Number of Grants	Amount
Grants Awarded	40	\$1,658,463.00
Grants Awarded In Full Compliance With The <i>Code</i>	20	\$689,858.00
Grants Awarded In Partial Compliance With The <i>Code</i> *	17	\$884,855.00
Grants Awarded In Non-Compliance With The <i>Code</i> **	3	\$83,750.00
*Partial compliance means that some portion of the funds awarded to the grant recipient were for activities that were not for direct advertising.		
**Grant funds awarded to recipients were for activities that were not for direct advertising.		
SOURCE: PERD Analysis of Grant Listing and Grant Applications		

The analysis of grant applications also included a classification of noncompliant items. Specifically, grants were awarded for such things as Internet advertising, promotional items, research and trade shows, conferences and miscellaneous items. The aggregate grant awards for these purposes is shown in Table 7. The Table shows the state's match for the statutorily noncompliant items in the categories partial compliance and noncompliance in Table 6.<sup>2</sup>

One example of an award beyond the statutory definition of direct advertising is an award to an applicant that identified \$80,000 worth of "eligible expenses," 50% or \$40,000 represented by the state's grant: \$70,500 for luncheons/presentations; \$4,000 for per diem allowance and transportation costs; \$4,400 for printing programs; and \$1,100 for printing and posting. Another example are awards for Internet advertising. Although the full impact and effectiveness of this advertising medium has not been determined, the Internet can be viewed as a new opportunity for advertising and reaching target markets. Thirteen grant recipients have requested approximately \$58,000 for Internet/WVWeb advertising.

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<sup>2</sup> The analysis is based on grant applications approved by the Commission. Therefore, it is possible that invoices for these activities have not been paid at this time. The distinction is similar to a legislative appropriation which is authority to spend not actual spending.

<p style="text-align: center;"><b>TABLE 7</b>  <b>State's Match of Expenditure Requests</b>  <b>That Are Not Direct Advertising</b></p>	
Type of Expenditure Request	Amount
Internet/WVWeb	\$57,564.50
Trade Shows, Conferences, Receptions, Luncheons and Misc.	\$74,592.50
Promotional Items	\$48,009.72
Research	\$9,210.00
TOTAL STATE MATCH...	\$189,376.72
SOURCE: PERD Analysis of Grant Applications	

Trade shows and the Internet are two examples of advertising that can be effective mediums for selling West Virginia. Trade shows are a way for industry participants to efficiently create awareness for their product. The message is sold to one person with access to many rather than to each person individually. For example, West Virginia's ski areas and businesses may attend a ski industry trade show. Trade shows provide travel agencies and groups the opportunity to learn about the ski industry in West Virginia. On the other hand, the Internet presents a new way for consumers to receive immediate information about tourist attractions and businesses in West Virginia. Internet users can visit a convention and visitors bureau's, business's, or state park's home page and learn about the attractions without having to wait for a brochure in the mail. As technology continues to advance, opportunities for advertising will increase. The state should be poised to take complete advantage of those advances. However important these opportunities might be for the successful marketing of West Virginia, they are simply beyond the current statutory authority for the Commission's direct advertising efforts.

**Recommendations**

1.1) *The Legislature should consider revising the definition of direct advertising to include other forms of advertising not previously listed. Expanding the definition of direct advertising in the West Virginia Code would allow grant recipients to take advantage of technological advancements and standard industry practices beyond the current definition. The use of other forms of effective advertising may increase awareness and interest in West Virginia as a tourist destination.*

1.2) *The Procedural Rules should reflect the Code's definition of direct advertising.*





**ISSUE 2: INCOMPLETE GRANT APPLICATIONS ARE BEING APPROVED BY THE TOURISM COMMISSION**

Procedural Rule §144-2-3.2 sets forth the guidelines for the submission of grant applications. Specifically,

The application shall include the complete advertising or marketing plan, in sufficient detail to permit evaluation against the required criteria. The application shall include a complete media plan with run dates and advertising costs as well as a complete description of the project, event, fair or festival. The information shall be broken out by individual publications with ad size, specific broadcast stations, billboard locations, advertising agency fees, printing costs, production supplier/vendor costs and any other applicable costs.

Furthermore, Procedural Rule §144-2-4.1 requires that “*The Division shall review all applications for completeness and conformance to guidelines. Applications deemed not complete or not in conformance with guidelines by the Division shall be returned to the applicant for additional information.*” The guidelines list the elements necessary for applications to be deemed complete. However, analysis of the 40 approved grant applications revealed that 27 were not written in conformance to the guidelines in §144-2-3.2. Table 8 lists the number of grant applications that were and were not submitted in conformance with the guidelines.

<b>TABLE 8</b> <b>Grant Applications Submitted in Conformance</b> <b>with Procedural Rule §144-2-3.2</b>		
Number of Grants Awarded	40	\$1,658,463.00
Number of Grants Awarded Whose Applications Were In Conformance With Guidelines	13	\$845,977.00
Number of Grants Awarded Whose Applications Were <b>Not</b> In Conformance With Guidelines	27	\$812,486.00
SOURCE: PERD Analysis of Grant Applications		

The guidelines establish a system to ensure that adequate information exists in the grant proposal to fully evaluate the viability of the request. Without the information available, it is difficult to determine whether the objective of the proposal can be achieved and if the project is feasible. Consequently, guidelines also form a basis for evaluation because grant recipients are required to submit quarterly evaluation reports to the Commission. The baseline information the guidelines provide is necessary to determine the impact of the grant funds on the tourism industry. Table 9 details the number of grants that had some required guideline information missing from the application approved by the Commission.

<b>TABLE 9</b>	
<b>Types of Application Guideline Deficiencies</b>	
<b>Guideline Deficiency</b>	<b>Number of Applications</b>
Applications did not specify time period for advertisement	17
Applications did not identify the name of the publication	10
Applications did not list ad sizes	14
Applications did not list broadcast stations	6
Applications did not list ad agency fees	2
Applications did not have a project description	1
SOURCE: PERD Analysis of Grant Applications and Procedural Rules	

A lack of enforcement of the guidelines has two effects. First, the grant system does not discriminate between good and bad applications. Therefore, all grants have a good chance at being approved. If the CTPF did not have additional revenue available in excess of grant funds requested then good applicants that help to advance the development of the tourism industry in West Virginia would not have access to these resources. By virtue of the fact that the CTPF receives about \$30,000 a week from video lottery proceeds, which provides a constant pool of funds, there is no real pressure to be selective in awarding grants. Second, the guidelines establish standards necessary for a system of accountability and performance. Lacking the components detailed in Table 9, these virtues cannot be insured.

**Recommendation**

- 2.1) *The Commission should enforce the grant application guidelines listed in the Procedural Rules.*

### **ISSUE 3: THE TOURISM COMMISSION AND ITS COOPERATIVE TOURISM PROMOTION FUND COMMITTEE DO NOT MAINTAIN PROPER RECORDS**

The process for allocating grants to tourism entities includes meetings of the CTPF Committee and the consideration of various documents. However, the CTPF Committee does not keep minutes of its proceedings. Further, the score sheets and evaluation findings of grant applications generated by the CTPF Committee and considered by the Tourism Commission are not maintained in a central location. Finally, grant applications that are rejected or returned to applicants for further clarification are not kept on file by either the CTPF Committee or the Tourism Commission.

#### **CTPF Committee Minutes**

The CTPF Committee of the Tourism Commission, like all committees of a parent body, was empaneled to manage the work flow of the Commission. In this role, the CTPF Committee is the first point of access and consideration for grant applications. The Committee is responsible for reviewing and scoring grant applications and reporting their findings and scores to the entire Tourism Commission for allocation of public funds in the form of grants. However, according to the Chairman of the Cooperative Tourism Promotion Fund Committee, the CTPF Committee does not keep minutes of its proceedings. The Open Governmental Proceedings Act states, "*Each governing body shall provide for the preparation of written minutes of all of its meetings.*" With its vital role in the distribution of public funds, the CTPF Committee must comply with the Open Governmental Proceedings Act and maintain a public record of its proceedings.

The lack of documentation of the Committee meetings results in noncompliance with the Open Governmental Proceedings Act (*West Virginia Code §6-9A-1 et seq.*) and raises questions about the integrity of the grant process. Eight of the nine Tourism Commission members are involved in the tourism industry and can benefit financially by the direct advertising grants awarded by the Tourism Commission. Seven Tourism Commission members have recused themselves on 14 occasions from voting on grant applications.<sup>3</sup> The 11 approved grants are worth \$913,932 or 55% of the total CTPF awarded dollars. Three members of the Tourism Commission serve on the CTPF Committee. Of the CTPF Committee, three members' organizations have received \$694,139 in grant awards. The state Ethics Act (*West Virginia Code §6B-2-5(d)*) advises that government appointees remove themselves from voting on issues in which they have a personal financial interest. While meeting minutes of the entire Tourism Commission reflect when members have recused themselves from voting on grants in which they have a financial interest, no documentation exists to show that the Committee members have recused themselves from voting. PERD staff observed at the September 19, 1996 CTPF Committee meeting that a member whose grant was to be scored had to be reminded to leave.

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<sup>3</sup> Two members of the Commission had an interest in the same grant.

Meeting minutes also serve to document the Committee's decisions and recommendations. Procedural Rule §144-2-3.7 states that, "... *evaluation forms and findings made by the Division or the Commission shall be maintained for a period of twelve months.*" This is clearly not being done since committee minutes are not being kept. Meeting minutes can document why an application was approved, not approved, or if it was deficient in some respect.

### *Centralized Record Keeping*

West Virginia Procedural Rules Title 144-2-3.7 requires the Tourism Commission to keep evaluation forms and findings for a period of twelve months. Currently, each CTPF Committee member retains their score sheet for each grant application. The scores are averaged by the Cooperative Tourism Promotion Fund Committee Chair and he retains the average score sheet and his score sheet. However, each Committee members' score sheets, average score sheets and evaluation findings should be maintained together in a central location. These score sheets, average score sheets and evaluation findings are the public record for decisions made about the distribution of public funds and must be available for inspection to the public pursuant to the Freedom of Information Act. As documents pertaining to the conduct of the public's business, the documents should be centrally maintained at the Tourism Commission's offices to be freely inspected by any member of the public at any time.

### *Incomplete or Rejected Grant Applications*

On occasion the CTPF Committee will receive an application that is deficient either in form or content. When deficient applications are received and rejected, the Commission returns applications to the grant applicant pursuant to Procedural Rule §144-2-3.7. The Commission does not retain a copy of rejected applications. The rejected applications are just as important as accepted grant applications for establishing a public record of the Commission's decision making process. Considering the deficiencies in *accepted* grant applications mentioned above, it becomes increasingly difficult to reconcile the decision making processes that result in the approval or rejection of grants since the rejected applications are not available for comparison.

The subject of returning rejected applications was an area of concern at one Commission meeting. Meeting minutes from the July 20, 1995 Tourism Commission meeting state, "Are these application grants a matter of public record?" According to the minutes, a lawyer present at the meeting stated, "approved applications are subject to the Freedom of Information Act and a matter of public record. However, if rejected applications are returned, then those applications would not be subject to FOIA requests." However, rejected applications are a matter of public record because they reflect the conduct of the public's business and a copy of the grant should be maintained.

### *Conclusion*

The Tourism Commission needs to maintain the CTPF Committee members' score sheets, average score sheet, evaluation findings and copies of grants that were not approved.

Furthermore, minutes of the CTPF Committee's proceedings must be recorded. All of these documents pertain to the conduct of the public's business and should be available to the public at any time in a central location. These documents are also essential for accountability for the distribution of public funds and for evaluation of the grant process.

**Recommendations**

- 3.1) *The Cooperative Tourism Promotion Fund Committee should document decision making in meeting minutes.*
- 3.2) *Committee members' score sheets, evaluation findings and copies of rejected grant applications should be maintained together and kept at the Tourism Commission offices.*



## **ISSUE 4: GRANT EVALUATION REPORTS ARE NOT BEING SUBMITTED TO THE TOURISM COMMISSION**

In June 1996, the Tourism Commission amended its Procedural Rules to include a provision that requires grant recipients to track and evaluate the effectiveness of their grant award. The Audit and Compliance section of the Procedural Rules Title 144-2-8.3 states, "Approved grant recipients shall provide to the Division quarterly written evaluations of the advertising program supported by the grant." However, for the period of July 1 to November 15, 1996, only 18.6% of the quarterly reports due have been submitted by grant recipients. In addition, the Commission has not established a formal requirement that grant recipients provide final completion reports detailing the impact of their subsidized advertising effort. Accordingly, no final completion reports have been submitted.

### **Procedural Rule Requirement for Quarterly Evaluation Reports**

The procedural rule is an important addition to the grant requirements and seeks to ensure that recipients are accountable for the funds they are awarded. Tracking and evaluation measures include:

- Geographic market(s) identified for this project/program;
- Top 10 cities where inquiries originated;
- Media used (television, radio, print, outdoor, etc. List specific publications, television and radio station, etc.);
- Number of inquiries generated by media (print, television, radio, etc.);
- Means of contact (phone calls, coupons/written request for information, e-mail ONLY);
- Cost per inquiry (CPI), calculated dividing the cost of the advertisement by the number of inquiries;
- How does this project compare (CPI) to other advertising programs you have undertaken?

Quarterly evaluation reports track the progress of grant recipients from one quarter to the next and provide a basis of comparison for tracking advertising effectiveness.

### **Final Completion Reports**

Final completion reports detail the effectiveness of the grant award from the beginning project date until the ending project date and allow interested parties to gauge the success of the projects. A January 18, 1996 Commission letter to four grant recipients that were approved at the January 17, 1996 Tourism Commission meeting states, "As an integral part of the Cooperative Tourism Promotion Fund program, we ask that you provide the Tourism Commission with interim progress reports if appropriate and a final, concise report of results when your program is completed." Final completion reports are important for determining the final impact and the effectiveness of grant awards, yet they were not required by the June 1996 amendment to the procedural rules.

### Notification of Responsibilities

Quarterly evaluation and final completion reports provide the documentation necessary to ensure that the public's money is accounted for and is used in the most efficient and effective manner. When a grant is awarded the Commission sends notice to the recipient that the grant will be available in four incremental payments over the period of the grant in the approval notification letter. However, the Commission does not notify grant recipients of their responsibilities to provide evaluation reports or denote submission deadlines. Without the submission of quarterly evaluation reports, the progress of the recipient cannot be measured.

### Reports Are Not Being Submitted

Table 10 lists the number of grants and *the expected number of quarterly evaluation and final completion reports* based on their project dates. Only eight tracking and evaluation reports have been submitted to the Tourism Commission since the establishment of this rule. Project dates that began and ended before June 30, 1996 were not required to comply with the amendment. In some cases, a project period may have required quarterly evaluation reports due before June 30, 1996, but since these dates were before the establishment of the rule the recipients are not required to comply. For example, a grant award beginning January 1, 1996 and ending December 31, 1996 would have its first quarterly evaluation report due April 1, 1996. This was before the establishment of the rule. However, the second and third quarter evaluations would be due on July 1, 1996 and October 1, 1996, respectively, and are currently due. The fourth quarterly evaluation report would be due January 1, 1997, and the final completion report would be due January 14, 1997.

For example, a grant of \$50,000 is awarded to an applicant. The beginning project date is April 1, 1996 and the ending project date is April 1, 1997. The number of project days is 365. Since the award notification letter states that quarterly payments will be made based on the period of the project, payments will be available to the recipient every 91 days. Therefore, every 91 days, quarterly evaluation reports should be submitted as well as the paid invoices and tear sheets. The first quarter would end July 1, 1996; second, September 29, 1996; third, December 29, 1996; and the fourth quarter would be due March 30, 1997. Fourteen days after the ending project date is ample time to allow the grant recipients to submit their final completion reports. A final completion report for this grant recipient would be due April 15, 1997.

Again, \$455,322 was awarded to organizations whose project dates were before June 30, 1996 and as a result no documentation exists to inform the Commission what impact the grant awards had. At the very least, those recipients should submit final completion reports detailing their activities. As noted above, the January 18, 1996 letter suggests that final completion reports were an important aspect of accountability even though this was before June 30, 1996.



**TABLE 10**  
**Submission of Quarterly Evaluation And Final Completion Reports**

	Number of Grants	Amount of Award	Number of Quarterly Evaluation Reports	Number of Reports Received	Number of Final Completion Reports	Number of Reports Received
Grants Awarded From July 1995 to October 1996	40	\$1,658,463	160*	8	40	0
Grants Not Affected By Procedural Rule §144-2-8.3**	11	\$455,322	44	0	11	0
Grants Affected By Procedural Rule §144-2-8.3***	29	\$1,203,141	116	8	29	0
Grants With Reports Due July 1, 1996 to November 15, 1996	26	\$1,164,490	43 (100%)	<b>8</b> <b>(18.6%)</b>	9 (100%)	<b>0</b> <b>(0%)</b>
NOTES: *This number is the result of 40 grants times 4 quarterly reports. **These grants had beginning and ending project dates before June 30, 1996 and were not required to provide quarterly reports during the July 1 to November 15, 1996 time frame. *** The total number of grants includes grants with reports due prior to June 30, 1996, and up to November 15, 1996.						
SOURCE: PERD Analysis of Grant Applications and Procedural Rule §144-2-8.3						

**Conclusion**

Without the quarterly evaluation and final completion reports, the progress of the recipient cannot be measured. While the Tourism Commission's Advertising Unit works with these grant recipients on an as needed basis, receipt of quarterly evaluation and final completion reports will enable the Commission's Advertising Unit to better serve the recipients in an effort to make the most of their direct advertising grants. In addition, the quarterly evaluation and final completion reports will enable the Commission's Marketing and Advertising Units to determine the feasibility of further advertisements they may place. The Commission should require that quarterly evaluation reports accompany the grant invoices as a condition of payment. This would ensure that recipients evaluate and track their progress.

**Recommendation**

- 4.1) *The Tourism Commission should notify grant recipients about their responsibilities for submission of quarterly evaluation and final completion reports in grant award notification letters. Further, the Tourism Commission should consider amending the procedural rules to make expense reimbursement contingent on submission of evaluation information.*

## PART II - TOURISM COMMISSION STAFF UNITS

The Tourism Commission delegates its duties and responsibilities under the *West Virginia Code* to six units operating within the Development Office. The six units are Administration, Advertising, Marketing, Public Information, Telemarketing, and Welcome Centers. In January 1996, a State Travel Director was hired to coordinate the Advertising, Marketing, Telemarketing, Public Information and Welcome Center units. However, the person subsequently left on October 4, 1996. Table 11 lists the number of full time and part time employees in each unit of the Tourism Commission.

<b>TABLE 11</b>		
<b>Tourism Commission Employees By Unit</b>		
<b>Unit</b>	<b># of Full Time Employees</b>	<b># of Part Time Employees</b>
Executive & Personnel*	7	0
Finance & Administration	4	0
Advertising	6	0
Marketing	8	0
Public Information	4	0
Telemarketing	10	25
Welcome Centers	16	8
Vacancies	4	0
<b>TOTAL</b>	<b>59</b>	<b>33</b>
*Executive & Personnel consists of staff for the Bureau of Commerce and the Tourism Commission		
SOURCE: Director of Personnel and Tourism Commission Organizational Chart		

### Administration

The Administration Unit provides administrative support to the Commission and other units and works to establish an effective system of internal control. The Unit's staff accounts for revenue and expenses, processes purchasing and payroll information and develops monthly budget and expenditure reports for the other units. In addition, the Director of Administration maintains a monthly accounting of grant monies awarded and available in the CTPF. The Administration Unit is also responsible for controlling information systems, communications, vehicle utilization, incoming and outgoing mail and building maintenance.

### Advertising

The Advertising Unit is responsible for creating an awareness of West Virginia as a tourism destination. The Unit maintains advertising pressure against target audiences to generate increased tourist visits and increased visitor expenditures. This Unit works with the public and private tourism sector to expand cooperative advertising efforts and heighten visitor awareness of multiple tourism offerings in a particular region using advertising campaigns, promotional materials and audio video presentations. In particular, the *West Virginia Code* requires that 20 percent of the advertising budget be used to promote the state parks, forests, and wildlife management areas. The Advertising Unit works with the Department of Natural Resources promotional efforts which includes providing direct fulfillment pieces or printed publications and graphics for advertising and marketing of the state parks, forests and wildlife management areas.

Since December 1995, the Tourism Commission has contracted with Doe Anderson of Louisville, Kentucky for advertising and media plan development on behalf of the West Virginia tourism industry. The agency and the Advertising Unit work to achieve an on-going advertising presence in target audiences of strategic geographic markets to heighten awareness that West Virginia is a vacation destination. Doe Anderson is charged with buying television and radio time and magazine and newspaper space in target markets at the most cost effective price.

### Marketing

The Marketing Unit supports the Commission in executing its strategic marketing plan by coordinating the marketing, advertising and public information functions. This strategic marketing plan targets the best opportunities for overall tourism growth and an update of this plan is due to the Joint Committee on Government and Finance December 1, 1996. The Unit is also responsible for expanding the hospitality and training programs that attempt to provide a qualified work force for the tourism industry.

### Public Information

Public Information communicates the economic and social contributions of the tourism industry to citizens, businesses and government agencies through news releases, personal media calls and by providing media kits to reporters, editors and freelance writers at national and regional meetings.

### Welcome Centers

Eight Welcome Centers are located at strategic locations throughout the State to provide travel information to people traveling in West Virginia and assist these visitors in making travel arrangements. Welcome Center staff provide information about destinations, activities, accommodations and travel conditions in the state. More than 3,000,000 travelers visited the eight welcome centers in 1995.

## Telemarketing

The Telemarketing Unit is the fulfillment center for service and information requests from residents and potential visitors to the state of West Virginia. For instance, the Telemarketing Unit sends brochures to potential visitors that call 1-800-CALL-WVA to request information about tourist attractions in West Virginia. Also, the Unit routinely responds to questions relating to other aspects of state government. For example, an individual may ask which agency issues copies of birth certificates, where to renew a driver's license, or the telephone number of the Department of Natural Resources. In addition, they take subscriptions for *West Virginia Magazine*. In other words, 1-800-CALL-WVA is recognized as the telephone number to receive information about West Virginia.

The Telemarketing Unit mailed 1,896,779 individual brochures and assisted 695,415 callers in 1995. In addition, the Unit provides the Advertising, Marketing and Public Information units with statistics to evaluate the effectiveness of marketing and advertising campaigns. These statistics include the number of responses generated by television, magazine, travel show, newspaper and other forms of advertising and marketing. Telemarketing also assists the Advertising, Marketing and Public Information units by surveying potential visitors to identify the composition and interests of target markets. Survey questions are designed to determine how the caller learned about the 1-800-CALL-WVA number, the last time they visited the state, age, sex and travel interest.

A November 1995 assessment of the 1-800-CALL-WVA center by Sandra Pernick identified a high number of incomplete calls. Incomplete calls represented missed opportunities and unsatisfied tourists. In response to this problem, Telemarketing contracted with AT&T for Answer Advantage. Answer Advantage answers calls from potential visitors that cannot be immediately answered by the Telemarketing staff and allows the tourist to leave their name, number and address so a Telemarketing operator can return the tourist's call. The missed calls are then returned when staff becomes available.

The Telemarketing Unit relocated to the Tourism Commission in June 1996. In addition, the Telemarketing Unit is in the process of upgrading its computer and telephone system to enhance its capabilities. This upgrade will allow the Telemarketing operators to serve potential visitors more quickly, increase the number of 800 service customers, handle more incoming calls, decrease the length of operator training time, run 800 service and label customer reports more efficiently, in addition to other benefits.

### 1-800-CALL-WVA Enterprise Functions

The Telemarketing Unit has the ability to transfer customers who call 1-800-CALL-WVA to one hundred six 800 service subscribers. A customer from the general public would call 1-800-CALL-WVA to inquire about a particular tourism product, white water rafting, for example. The telemarketing operator would screen the call to ensure that the customer is interested in making a reservation with the company. The telemarketing operator would then dial a three digit code

which represents the company to transfer the call. The telemarketing operator would inform the company that they had a 1-800-CALL-WVA call to transfer so the company would know they were going to be charged for the call. The company is charged from the time the consumer is connected with the company until the connection is broken. 800 service subscribers are charged \$0.50 per minute. In 1995, the transfer service generated \$21,118.

The Telemarketing Unit in fulfilling requests for brochures also sells labels to private tourism companies wishing to target potential visitors with a specific area of interest. These mailing labels are generated from the brochure codes from the tourism database. Some specific areas of interest in which a target mailing would be done include skiing, white water rafting, hiking, biking or others. Private tourism companies engaged in these types of activities would purchase the mailing labels on a weekly, bi-monthly, monthly, yearly or one time basis. In 1995, the Telemarketing Unit generated \$12,581 in revenue by providing mailing labels to 23 customers at a cost of \$8.00 per label report and \$0.08 per label.

**ISSUE 5: THE TELEMARKETING UNIT HAS INADEQUATE CASH CONTROL PROCEDURES FOR 800 SERVICE SUBSCRIBERS AND LABEL CUSTOMERS.**

Several areas of cash management within the Telemarketing Unit could be improved. The Telemarketing Unit has not provided staff that have cash management responsibilities with job descriptions or policy statements that define their duties and responsibilities. Second, one person handles a variety of tasks in the cash management process resulting in a weak control environment. Finally, the lack of cash reconciliation also contributes to a weak cash control environment.

**Billing Process and Cash Management**

Monthly reports for each 800 service subscriber detailing the day of calls, number of calls per day, time of call, length of call, operator, and other features are generated. The Telemarketing Manager, Office Assistant, or two other telemarketing operators may generate the reports. The Office Assistant creates a monthly invoice for each 800 service subscriber by fiscal year. Invoices are sent out monthly if they are over \$5.00. Checks are made payable and sent to WV Division of Tourism, Attn: Telemarketing Manager, Bldg. 17, 2nd floor, 2101 Washington Street East, Charleston, WV 25305. Invoices designate the month, number of calls, total charges, amount paid, date paid, check number and balance due.

A Special Assignments person receives the checks from the Mail Room, however, they are not listed on a daily incoming checks log. The Assignments person gives the Office Assistant the checks to be processed as accounts received and the Office Assistant stamps the checks Deposit Only. The Office Assistant in turn gives a deposit worksheet to the Deposits/Accounts Payable Clerk in the Administrative Unit detailing checks to be deposited from 800 service subscribers and label customers. The Deposits Clerk deposits the checks with the State Auditor's office. The Finance and Administration Director receives a copy of the deposit worksheet and keeps track of the telemarketing revenue. Table 12 details who is responsible for the invoicing and reconciliation functions in the Telemarketing Unit.

TABLE 12 Telemarketing Cash Control Responsibilities		
Function	Office Assistant	Special Assignments
Invoicing	X	
Check Logging		Receives mail but does not log checks.
Accounts Received	X	
Deposit Sheet	X	
Reconciliation	Not Done	Not Done

The Office Assistant is responsible for printing the invoices, posting accounts received, and listing the checks on a deposit worksheet. Since the Special Assignments person does not log the checks as she receives them from the mail room, no control exists to determine if the incoming check amount matches the deposit amount. The invoicing, receiving and depositing process is handled by one employee when these duties should be separated among at least two. The weak environment is exacerbated by the lack of mail room logs and the lack of reconciliation. Reconciliation would include making sure the check amounts indicated on the mail log match the amounts indicated on the deposit slip and both documents match the checks themselves.

The invoicing and reconciliation process is not documented. Documenting the duties and responsibilities would enable management to hold persons accountable in the event of a loss of resources.

**Recommendation**

- 5.1) *The Director of Administration should work with management in the Telemarketing Unit to document the invoicing and reconciliation procedures and employee's responsibilities for cash transactions for 800 service subscribers and label customers. (The Telemarketing Unit has complied with this recommendation.) At the very least, the Director of Administration should establish procedures that require a mail room person to log incoming cash and checks and should identify a person responsible for reconciliation of receipts, deposits and billing.*



### **PART III - PROMOTIONAL STAMPS PROGRAM**

The West Virginia Promotional Stamps program began in 1992 under the West Virginia Development Office in the Department of Commerce, Labor and Environmental Resources. However, the Stamps program was placed under the Tourism Commission when the reorganization legislation was enacted.

The West Virginia Promotional Stamps program consists of eight series of decorative stamps that show images of the state parks, scenic views, native flowers, butterflies, birds and wildlife and industrial, agricultural and recreational activities. Each series consists of a sheet containing 30 to 36 stamps and is sold at \$3.00 per sheet. The decorative stamps are sent on consignment to the main United States Post Office in Charleston and then distributed to postal branches around the state. Approximately 205 customers have bought the promotional stamps directly from the program staff as of August 13, 1996. It should be noted that the promotional stamps cannot be used for postage.

The Promotional Stamps program receives and expends money from two separate accounts. Originally, the Promotional Stamps program was under the West Virginia Development Office. The Development Office still handles sales and some expenses even though the Promotional Stamps program has been moved to the Tourism Commission. The Director of Finance at the Tourism Commission pays the printing costs for the Promotional Stamps program up to \$10,000 from the Advertising Unit budget.



**ISSUE 6: THE PROMOTIONAL STAMPS PROGRAM HAS A WEAK INTERNAL CONTROL SYSTEM FOR CASH TRANSACTIONS**

The Director of the program performs all of the duties associated with the program including invoicing and receiving, and there is no reconciliation process to verify the cash management of the process. For example, the Director does the invoicing, receives checks from the mail room unopened and posts checks on a public order list. Presently, no reconciliation function exists for the program. Further, the mail room neither opens the checks nor do they complete a daily log of the checks received. The weak control environment raises the potential for loss of resources.

**Recommendation**

- 6.1) *The Commission should establish a control procedure that includes logging of checks in the mail room and reconciliation of transactions by some one other than the Director of the program.*



## **ISSUE 7: THE WEST VIRGINIA PROMOTIONAL STAMPS PROGRAM IS NOT SELF SUFFICIENT**

The original Promotional Stamps proposal states, “*The financing could and should come from firm in-house commitments for product from DNR, Travel & Tourism, Arts & Education and such other state agencies deemed appropriate....*” Furthermore, legislative digests from fiscal years 1996 and 1997 state that, “*The Legislature further encourages the various agencies of State government, especially the Division of Tourism and the Division of Parks, to use these stamps for promotional purposes.*” The program’s intent was to send out a positive image of West Virginia. However, as of August 13, 1996 the program has had only 205 customers (This does not include Post Office customers.) and no state agency has entered into a contract to purchase the stamps. **The lack of sales has resulted in the program’s expenses exceeding revenues.** As a result, the Promotional Stamps program is not self sufficient. Consequently, the program has had to be subsidized in the last two years with \$10,000 from the Tourism Commission’s advertising budget.

### **Lack of State Participation**

The Director stated that when the program first began he talked to six of the seven departmental secretaries and supplied them with 250 free sheets of stamps to generate interest in the program. However, the stamps program director stated that he currently did not have any contracts with any state agencies to use the promotional stamps and never has had any contracts to provide stamps. It is the Director’s opinion that putting stamps on each piece of mail is too labor intensive and too much trouble.

The original stamps proposal anticipated that state agencies would be the main customer of the stamps and that the stamps were to be placed on various state agencies’ outgoing mail. As a result, the Promotional Stamps program has not delivered its intended benefit simply because the stamps are not being distributed by its intended primary customer -- state agencies.

### **Expenses and Revenue**

The original proposal for the West Virginia Promotional Stamps program states, “*The Project is designed to be self-liquidating; i.e. it can be operated at little or no cost to the state and could be designed to make money if permitted by law.*” The proposal further states, “*The project is designed to be self-perpetuating without the services of any individual....The project should not depend on a single individual for its success.*” While the stamps program has only one employee, its expenses are greater than the sales generated.

Table 13 provides budgetary detail of the program’s sales revenues, appropriations and expenses from Fiscal Year 1993 through 1996. Throughout the four years included in Table 13 expenditures have consistently exceeded revenues.

<b>TABLE 13</b>				
<b>Revenues and Expenditures of the Promotional Stamp Program</b>				
<b>FY 1993 - FY 1996</b>				
	<b>FY93</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>
<i>Sales</i>				
Post Office and Public Sales	\$23,729.51	\$4,684.96	\$2,257.50	\$3,935.34
<i>Appropriation</i>				
	0	0	0	\$10,000
Total...	\$23,729.51	\$4,684.96	\$2,257.50	\$13,935.34
<i>Expenses</i>				
Personal Services and Employee Benefits	\$29,705.80	\$30,985.07	\$32,165.95	\$33,670.15
Office Expenses, Postage	\$702.56	\$1,874.06	\$63.50	\$370.94
Printing	\$11,638.00	\$12,549.00	0	\$6,500.00
Travel	\$550.67	\$209.67	\$20.19	0
Miscellaneous Computer	0	0	\$985.24	0
Total...	\$45,597.03	\$45,617.80	\$33,234.88	\$40,541.09
Balance: Sales Less Expenses	(\$21,876)	(\$40,932)	(\$30,977)	(\$26,605)
SOURCE: Printouts from the West Virginia Development Office, the Tourism Commission and Division of Personnel.				

**Conclusion**

The Promotional Stamps program is not meeting two of its primary objectives. The program is not deriving enough revenue to pay for operational expenses. As shown in Table 13, revenues fell after the first year and have remained flat resulting in a subsidy from other funds. Also, the stamps are not being disseminated. No state agency uses the stamps on their correspondence and the program has had only 205 customers buy stamps from the program's staff. As a result, the funds used to support the program are not available for other advertising activities that are a more effective method for spreading information about the natural beauty and tourism opportunities in West Virginia.

**Recommendation**

7.1 *The Legislature should consider whether the Promotional Stamps should be distributed to state agencies at no cost. Alternatively, termination of the Promotional Stamps program should be considered.*







APPENDIX A



**APPENDIX A**  
**Commission Membership & Committee Assignments**

Name of Member	Representing	Committee Assignment	Congressional District	End of Term
William Bright, Chair	Private Sector	Executive	2nd	5/1/98
Moncure Chatfield-Taylor	Private Sector	Executive	2nd	5/1/97
David Arnold	Private Sector	CTPF*	3rd	5/1/99
Sharon Rowe	Private Sector	Marketing	3rd	5/1/97
Connie New	Private Sector, Representative of CVB	CTPF	1st	5/1/97
Don Fenton	Private Sector, Member of CVB	CTPF	1st	5/1/98
John Skidmore	Public, Non-State	Education & Training	N/A**	5/1/99
Randy Worls	Council for Community & Economic Development	Executive	N/A**	5/1/98
Fred VanKirk, Secretary***	Department of Transportation	N/A	N/A**	N/A

SOURCES: *West Virginia Code* and Tourism Commission Membership List.

NOTES:

\* CTPF=Cooperative Tourism Promotion Fund;

\*\* Appointment is not contingent on congressional district.

\*\*\* The statute requires that a representative from the Department of Transportation serve on the Commission.



APPENDIX B





Gaston Caperton  
Governor

**Development Office**

**Division of Tourism**  
State Capitol Complex  
2101 Washington St., E.  
Charleston, West Virginia  
25305-0312

1 800 CALL WVA

James B. Lawrence  
Commissioner

Commissioner's Office  
304/558-2200  
FAX: 304/558-2956

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304/558-2358  
FAX: 304/558-2956

Advertising  
304/558-2286  
FAX: 304/558-0108

Marketing  
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FAX: 304/558-0108

Public Information  
304/558-2286  
FAX: 304/558-2873

Telemarketing  
304/558-2766  
FAX: 304/558-2279



Equal Opportunity  
Employer

November 27, 1996

Mr. Antonio E. Jones  
Performance Evaluation & Research Division  
West Virginia Legislature  
Building 5, Room 751A  
1900 Kanawha Boulevard, E.  
Charleston, WV 25305

Dear Mr. Jones:

With regard to your letter of November 22nd in which you transmitted the draft of your division's full performance review of the Tourism Commission, I hereby make the following response on behalf of the Commission.

Initially, I must state that the Commission is very appreciative of the time and effort on the part of your associates in their evaluation of their activities and those performed by the Tourism Division, and we will respond accordingly to the findings and recommendations as contained in your report.

The Commission would like to point out to you and members of the Joint Committee on Government Operations the problems encountered with commencing such an important program as the Cooperative Tourism Promotion Fund and fully intends to establish the integrity necessary in administering grants associated with the program.

We would like to address specifically the following issues:

**issue 1: The Tourism Commission approves grants for activities that are not defined in Code.**

West Virginia Code §5B-2-12 Subsection (b) states the balance of the monies deposited in the fund shall be issued for direct advertising within the state's travel regions as defined by the Commission. In other words, it has been interpreted by the Commission to mean that the Commission has discretion as to the definition of direct advertising for the funds distributed to applicants.

Certainly, if this discretion of statute interpretation is not in compliance with Legislative intent, the Commission will change its standards for consideration and approval of the applications.

With Legislative approval, the Commission will establish a definition of direct advertising in its procedural rules.

**Issue 2: Incomplete grant applications are being approved by the Tourism Commission.**

During the time period in which the Commission has offered this program, great care has been taken in the education of the industry and in assisting applicants in complying with information requirements. In addition, the Commission takes its responsibility to review applications very seriously and deliberations are complete and conducted with great scrutiny. Director of Advertising Anna Cosby has lended her expertise in assisting applicants in identifying marketing and advertising programs that would be effective and beneficial and in compliance with the fund's rules. Lack of incomplete advertising and marketing plans, as pointed out on page 13 of the audit, is a criticism duly noted and one that will receive immediate attention by the Commission. It should be noted, however, the Division is maintaining vigilant contact with the applicants before, during and after their approved activities to insure effectiveness and compliance.

**Issue 3: The Tourism Commission and its cooperative tourism promotion fund committee do not maintain proper records.**

The lack of written records (minutes) by the cooperative tourism promotion fund committee is duly noted and the Commission will correct their procedures by maintaining proper committee minutes at the Tourism Commission's offices so as to be available for inspection by the public anytime.

With respect to maintaining rejected applications: The Commission believes wholeheartedly in maintaining a posture of helping and fostering increased tourism development in West Virginia. Therefore, the Commission, typically, returns rejected applications with recommendations for improvement so that the applications may be re-submitted.

The Commission will certainly comply with the audit recommendations and maintain all rejected applications in the file.

**Issue 4: Grant evaluation reports are not being submitted to the Tourism Commission.**

Director of Advertising Anna Cosby has provided her expertise in assisting applicants in identifying marketing and advertising programs that would be effective and beneficial and in compliance with the fund's rules. Further, she has attempted to keep in close contact with the applicants in evaluating the effectiveness of their programs. Nevertheless, the lack of



quarterly evaluations is duly noted and one that will receive immediate attention by the Commission.

**Issue 5: The telemarketing unit has inadequate cash control procedures for 800 service subscribers and label customers.**

The procedures for handling of payments for 800 service and label customers has been corrected as per audit recommendations and will continue to be monitored for compliance.

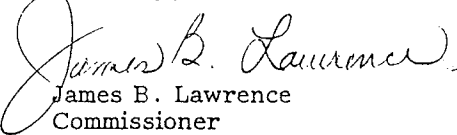
**Issue 6: The promotional stamp program has a weak internal control system for cash transactions.**

Lack of an effective cash payment process for cash transactions by the promotional stamp program, which is promulgated by the Budget Digest, is duly noted and the Commission will correct their procedures by maintaining sound internal procedures for handling of cash in the future.

**Issue 7: The West Virginia promotional stamp program is not self sufficient.**

The Commission did not originate this program and in the current fiscal year (96-97) was directed by Budget Digest to allocate \$10,000 from its advertising budget to support the program. The Commission will institute a meaningful discussion with the Legislative leadership as to the merits of the program.

Sincerely,

  
James B. Lawrence  
Commissioner



December 4, 1996

Dr. Antonio E. Jones  
Director  
Performance Evaluation and Research Division  
West Virginia Legislature  
Building 5, Room 751A  
State Capitol  
Charleston, West Virginia 25305

Dear Dr. Jones:

Thank you for the opportunity to respond to a specific issue raised in the draft full performance review of the West Virginia Tourism Commission. Please consider this response as an addendum to the response previously received from James Lawrence, Commissioner of the Division of Tourism.

The issue that I need to address is found on page 16 of the report under the section entitled "Incomplete or Rejected Applications." Paragraph 2 of that section states, in part, that "[t]he Commission's decision to promulgate a procedural rule leading to the return of rejected applications is a result of advice from Legal Counsel of for the West Virginia Development Office. Counsel advised the Commission that if rejected applications were returned, then they would not be subject to the Freedom of Information Act." This assertion is inaccurate and should be removed from the report. The following will provide you with a history of the promulgation of the Tourism Promotion Fund rules.

The Tourism Promotion Fund was originally established by the Legislature during the 1994 legislative session. The legislation called for the creation of a Tourism Promotion Fund Commission to develop rules for and manage the program. Rules were drafted by this Commission and filed with the Secretary of State in December 1994. Section 3.7 of those rules stated that "[a]ll applications and required submissions associated with a project not awarded shall be returned to the applicant..." (Emphasis added). I had no involvement with the Tourism Promotion Fund Commission or with the promulgation of its rules.

During the 1995 legislative session, the Tourism Promotion Fund Commission was abolished, but the Tourism Promotion Fund was continued and placed under the jurisdiction of the newly created Tourism Commission. Since no grants had been awarded from the Fund, it had accumulated a significant balance. The Commission was of the opinion that the program should be implemented as quickly as possible in order to meet its intended purpose and therefore elected to review the rules previously adopted by the Tourism Promotion Fund

Dr. Antonio E. Jones  
December 4, 1996  
Page 2

Commission, make minor revisions, and then adopt and file them so that the program could be promptly implemented.

My involvement with the current rules began after the Tourism Commission was appointed in mid-1995 and was limited to making the minor changes requested by the Commission and preparing them for filing with the Secretary of State. I did not make policy recommendations related to the operation of the fund.

At the Commission meeting of July 20, 1995, four legal questions related to the Tourism Promotion Fund and the existing rules were presented for my response. Question three, as stated in the minutes, was: "Are these application grants a matter of public record?" I responded that "approved applications are subject to the Freedom of Information Act and a matter of public record. However, if rejected applications are returned, [as stated in the rules] then those applications would not be subject to FOIA requests." As you know, the Freedom of Information Act defines a "public record" as "any writing containing information relating to the conduct of the public's business, prepared, owned **and retained by** a public body." (Emphasis added.) W. Va. Code §29B-1-2(4) My response was not a policy recommendation, but was only in response to the specific question.

As you can see, I was not involved in the promulgation of the procedural rule referred to on page sixteen of your report nor was the Commission's decision to promulgate a rule leading to the return of rejected applications a result of my advice. The language alluded to in your report was actually adopted more than six months prior to my involvement and was originally adopted by the Tourism Promotion Fund Commission. Therefore, I would request that this language be removed from the report before it is finalized and submitted to the Legislature.

Thank you for your consideration. If you should have any questions, please contact me at 558-2234.

Sincerely,



Dana D. Davis  
Deputy Director

:dd

cc: James Lawrence