

Report Highlights

Why DLA Performed This Audit

The purpose of the audit was to determine if there is a need for the board's continued existence and whether its termination date should be extended. The board is set to sunset June 30, 2018, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

There were no recommendations as part of the sunset audit.

A Sunset Review of the Department of Commerce, Community, and Economic Development (DCCED), Alaska Tourism Marketing Board (board)

November 15, 2017

Audit Control Number 08-20101-17

REPORT CONCLUSIONS

The audit concludes the board operated in the public's interest by cooperating with DCCED to plan and execute a destination tourism marketing campaign and making recommendations regarding tourism marketing and development. Additionally, as directed by the legislature, the board worked with the Alaska Travel Industry Association to develop a plan to phase out reliance on unrestricted general funds.

Although the board served the public's interest during the audit period, the board's advice to DCCED regarding tourism marketing and development is no longer needed as responsibility for those activities has shifted to industry. In accordance with AS 44.66.010(a)(11), the board is scheduled to terminate on June 30, 2018. We do not recommend extending the board's termination date.

(Intentionally left blank)

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

November 27, 2017

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Alaska Tourism Marketing Board (board) and the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
ALASKA TOURISM MARKETING BOARD
SUNSET REVIEW

November 15, 2017

Audit Control Number
08-20101-17

The audit was conducted as required by AS 44.66.050(a). Per AS 44.66.010(a)(11), the board is scheduled to terminate on June 30, 2018. We do not recommend extending the board's termination date.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusion based on our audit objectives. Fieldwork procedures utilized in the course of developing the conclusion presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor

ABBREVIATIONS

AAC	Alaska Administrative Code
ACN	Audit Control Number
AS	Alaska Statute
board	Alaska Tourism Marketing Board
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DCCED	Department of Commerce, Community, and Economic Development
DED	Division of Economic Development
DLA	Division of Legislative Audit
FY	Fiscal Year
Travel Association	Alaska Travel Industry Association

CONTENTS

Report Sections	Organization and Function	1
	Background Information	5
	Report Conclusions	7
	Objectives, Scope, and Methodology	9
Agency Responses	Office of the Governor	15
	Department of Commerce, Community, and Economic Development	17
	Alaska Tourism Marketing Board	19
Appendix	Appendix Summary	11
	Appendix A: Analysis of Public Need Criteria	13
Exhibits	Exhibit 1: Alaska Tourism Marketing Board Members as of November 15, 2017	3
	Exhibit 2: DCCED Tourism Marketing and Development Appropriations FY 15 through FY 18	5

(Intentionally left blank)

ORGANIZATION AND FUNCTION

Alaska Tourism Marketing Board

The Alaska Tourism Marketing Board (board) was established in October 2014 through Senate Bill 194. Alaska Statute 44.33.136 directs the board to *“cooperate with the department to plan and execute a destination tourism marketing campaign that is in the public interest; and make recommendations to the department regarding tourism marketing.”*

Additionally, legislative intent language in the FY 17 operating budget required the board to *“develop a plan to phase out reliance on unrestricted general funds for marketing, moving towards a self-sustaining program funded by industry.”*

Per statute, the board consists of 21 members, each with a three-year term (see Exhibit 1 on page 3). The governor must appoint 18 of the 21 members from the leading statewide nonprofit tourism association, and the members must represent different segments of the tourism industry and different company sizes and regions of the state.¹ The Alaska Travel Industry Association (Travel Association) is recognized as the leading statewide tourism association, and 18 of its members were appointed to the board. The other three board members include the Department of Commerce, Community, and Economic Development (DCCED) commissioner or designee, one member of the State Senate, and one member of the State House of Representatives. Board members do not receive a salary for service, and the 18 industry members are not entitled to per diem or travel expenses. The board must meet at least twice a year, and is encouraged to meet electronically.

DCCED Division of Economic Development (DED).

The board is organizationally located within DCCED’s Division of Economic Development (DED). DED is responsible for tourism marketing and development — including distributing funds for such activities in accordance with legislative appropriations. From FY 15 (creation of the board) through June 2016, DED provided two staff to support board operations. Effective July 2016,

¹Regions include Southeast, Southcentral, Southwest, Interior, and Far North.

responsibility for tourism marketing and development, including board support, transitioned to the Travel Association.

Alaska Travel Industry Association

The Travel Association is governed by a 24 member-elected board of directors with over 700 members. Eighteen Travel Association members serve on the Alaska Tourism Marketing Board, and eight of the 18 serve on both boards. According to its website, the Travel Association:

will be the leading industry organization promoting Alaska as a top visitor destination, communicating and promoting the Alaskan tourism industry as one of the state's major economic forces, and will be the respected voice of the industry for the growth of the industry, while remaining attentive to care for the environment, recognition of cultures and Alaska's unique quality of life.

As described in more detail in Background Information, the Travel Association played an important role in developing and implementing the State's tourism marketing plans during the audit period. In addition to helping manage the tourism marketing program for the State, the association maintained the official State *TravelAlaska* website for FY 17.

Exhibit 1

**Alaska Tourism Marketing Board Members
as of November 15, 2017**

Tourism Industry Board Members

Colleen Stephens, Chair
Valdez

Chuck Baird
Ketchikan

Ryan Binkley
Fairbanks

Shanon Davis (Hamrick)
Soldotna

Kori Goertz
Anchorage

Scott Habberstad
Anchorage

Deborah Hansen
Anchorage

Kathy Hedges
Fairbanks

Deborah Hickok
Fairbanks

Bernie Karl
Fairbanks

Patricia Mackey
Ketchikan

Dennis McDonnell
Anchorage

James Minton
Anchorage

Bonnie Quill
Palmer

Ruth Rosewarne Kimerer
Anchorage

Linda Springmann
Issaquah

Mark Weakland
Girdwood

Vacant
(Since August 2017)
Tourism Industry Member

Legislative Board Members

Mia Costello
Senate

Jason Grenn
House of Representatives

DCCED Board Member Designee

Brittney Cioni-Haywood
DED Director

Source: Office of the Governor, Boards and Commissions website.

(Intentionally left blank)

BACKGROUND INFORMATION

Responsibility for Tourism Marketing Shifted to Industry

At the time the board was created in FY 15 through FY 16, funding for tourism marketing and development was appropriated to Department of Commerce, Community, and Economic Development (DCCED). The Division of Economic Development (DED) managed the tourism marketing program in cooperation and under the advice of the board. Activities included advertising, public relations, website development and research. Board administrative support was provided by DED staff.

House Bill 256 effective FY 17 transitioned tourism marketing from a State-managed program to an industry-managed program. The board was directed to *“develop a plan to phase out reliance on unrestricted general funds for marketing, moving towards a self-sustaining program funded by industry to be implemented in the FY 18 budget.”*

Legislative appropriations for tourism marketing and development are summarized in Exhibit 2. During FY 17, the Alaska Travel Industry Association (Travel Association) received \$1.5 million to implement tourism marketing on behalf of DCCED and an additional state grant of approximately \$665,200 for tourism research and marketing. The FY 18 budget provided a \$3 million capital appropriation to the Travel Association with the intent of phasing out reliance on State support and moving to a self-sustaining, industry-funded model.

Exhibit 2

DCCED Tourism Marketing and Development Appropriations FY 15 through FY 18				
	FY 15	FY 16	FY 17	FY 18
General Fund	\$15,200,000	\$7,229,400	\$1,500,000	\$3,000,000
Program Receipts	\$2,700,000	\$2,370,000	\$665,200	
Totals	\$17,900,000	\$9,599,400	\$2,165,200	\$3,000,000

Source: State Accounting System.

(Intentionally left blank)

REPORT CONCLUSIONS

In developing our conclusion regarding whether the Alaska Tourism Marketing Board's (board) termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c), which are included as Appendix A of this report. Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public policy need for continuing operations.

The audit concludes the board operated in the public's interest by cooperating with Department of Commerce, Community, and Economic Development (DCCED) to plan and execute a destination tourism marketing campaign and by making recommendations regarding tourism marketing and development. Additionally, as directed by the legislature, the board worked with the Alaska Travel Industry Association (Travel Association)² to develop a plan to phase out reliance on unrestricted general funds.

Although the board served the public's interest during the audit period, the board's advice to DCCED regarding tourism marketing and development is no longer needed as responsibility for those activities has shifted to industry. In accordance with AS 44.66.010(a)(11), the board is scheduled to terminate on June 30, 2018. We do not recommend extending the board's termination date.

Detailed report conclusions follow.

The board operated in the public interest, yet its existence is no longer necessary.

The audit determined the board operated in the public interest by cooperating with DCCED and the Travel Association to plan and execute a destination tourism marketing campaign. Furthermore, the board made recommendations to DCCED regarding how to allocate its tourism marketing funds. The audit also concluded the board met its mandate to develop a plan to phase out reliance on State general funds for tourism marketing and development.

²An industry organization that promotes Alaska as a top visitor destination.

A plan, which proposed phasing out reliance through an industry assessment, was presented to the legislature in January 2017 with the assistance of the Travel Association.

Board operations were generally conducted in an effective manner. The audit found that from January 2015 through November 2017, the board held 19 meetings, which exceeded the minimum number required by statute. Quorum was consistently met; however, the audit identified four of the 19 meetings were not adequately public noticed.

With responsibility for tourism marketing and development shifting from the State to industry, the need for the board to cooperate with and make recommendations to DCCED has diminished. As such, the audit found no compelling reason to continue board operations.

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Alaska Tourism Marketing Board (board) to determine if there is a public need for its continued existence.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the board should be reestablished. Currently, under AS 44.66.010(a)(11), the board will terminate on June 30, 2018, and will have one year from that date to conclude its administrative operations.

Objectives

The two central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the public's interest.

Scope

The assessment of operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board. We reviewed the board's activities from October 2014, through November 15, 2017.

Methodology

During the course of our audit, we reviewed and evaluated the following:

- Applicable statutes and board bylaws to identify board functions and responsibilities.
- Legislative bills to identify board functions and responsibilities and also to identify funding sources and authorized funding amounts.

-
-
- Financial reports from the state accounting system to identify budget information, including funding sources.
 - Board meeting minutes to gain an understanding of board proceedings and activities, whether a quorum was maintained, and to determine if the board met its statutory duties.
 - The State's online public notice system to verify the board meetings were adequately public noticed.
 - Tourism marketing plans and budgets to gain an understanding of the program and determine if the board met its statutory duties.
 - Department of Commerce, Community, and Economic Development (DCCED) grant documents for the Alaska Travel Industry Association (Travel Association) to gain an understanding of the shared responsibilities over the tourism marketing program and related expenditures.
 - Official State *TravelAlaska* website to gain an understanding of the tourism marketing program.
 - Travel Association website to gain an understanding of Travel Association board composition, activities of the entity, and evaluate possible duplication of efforts. Travel Association FY 16 annual report and FY 16 and FY 17 budgets to gain an understanding of the tourism activities performed.

To identify and evaluate board activities, we conducted interviews with DCCED staff, the board chair, and Travel Association management. Specific topics of inquiry included board operations, statutory duties, legislative funding, tourism marketing plans, duplication of effort, and the existence of complaints against the board.

APPENDIX SUMMARY

In developing our conclusion regarding whether the Alaska Tourism Marketing Board's termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c), which are included as Appendix A of this report.

(Intentionally left blank)

APPENDIX A

Analysis Of Public Need Criteria (AS 44.66.050(c))

A determination as to whether a board or commission has demonstrated a public need for its continued existence must take into consideration the following factors:

- (1) the extent to which the board or commission has operated in the public interest;
- (2) the extent to which the operation of the board or commission has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters;
- (3) the extent to which the board or commission has recommended statutory changes that are generally of benefit to the public interest;
- (4) the extent to which the board or commission has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided;
- (5) the extent to which the board or commission has encouraged public participation in the making of its regulations and decisions;
- (6) the efficiency with which public inquiries or complaints regarding the activities of the board or commission filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved;
- (7) the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public;

-
-
- (8) the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board or commission to its own activities and the area of activity or interest;
 - (9) the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection;
 - (10) the extent to which the board or commission has effectively attained its objectives and purposes and the efficiency with which the board or commission has operated; and
 - (11) the extent to which the board or commission duplicates the activities of another governmental agency or the private sector.

Agency Response from the Office of the Governor

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
Fax: 907-465-3532



550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450
fax: 907-269-7463
gov.alaska.gov
Governor@alaska.gov

Governor Bill Walker
STATE OF ALASKA

December 19, 2017

RECEIVED

DEC 22 2017

LEGISLATIVE AUDIT

Kris Curtis, CPA, CISA
Legislative Auditor
P.O. Box 113300
Juneau, AK 99811-3300

Dear Kris Curtis:

Thank you for the opportunity to respond to the Legislative Budget and Audit Committee regarding the preliminary audit report for the Alaska Tourism Marketing Board under the Department of Commerce, Community and Economic Development.

We agree with the legislature's effort to transition this board by phasing out reliance on unrestricted general funds and moving it towards a self-sustaining program funded by industry.

Therefore, we support allowing this board to sunset on June 30, 2018.

Sincerely,

Shirley Marquardt
Director
Boards and Commissions

A handwritten signature in black ink, appearing to read "Shirley Marquardt".

SM/li

(Intentionally left blank)

Agency Response from the Department of Commerce, Community, and Economic Development



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Commerce, Community,
and Economic Development**

OFFICE OF THE COMMISSIONER

P.O. Box 110800
Juneau, AK 99811-0800
Main: 907.465.2500
Fax: 907.465.5442

January 5, 2018

Kris Curtis
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, Alaska 99811-3300

RECEIVED

JAN 05 2018

LEGISLATIVE AUDIT

RE: Confidential Preliminary Audit Report, Department of Commerce, Community, and Economic Development, Alaska Tourism Marketing Board, November 15, 2017

Dear Ms. Curtis

Our department received your letter of December 14, 2017 in regards to the above referenced matter. The department concurs with the report conclusions and recommendations. Thank you for the opportunity to provide comment on this Confidential Preliminary Audit Report. Should you have any questions, please contact me at (907) 465-2500.

Sincerely,

A handwritten signature in blue ink that reads "Mike Navarre".

Mike Navarre
Commissioner, DCCED

CC: Fred Parady, Deputy Commissioner, DCCED
Brittney Cioni-Haywood, Director, Division of Economic Development
Micaela Fowler, Legislative Liaison, DCCED

(Intentionally left blank)

Agency Response from the Alaska Tourism Marketing Board

Colleen Stephens
Alaska Tourism Marketing Board Chair
PO Box 1297
Valdez, AK 99686

December 20, 2017

Kris Curtis, CPA, CISA
Legislative Auditor
Legislative Budget and Audit Committee
Division of Legislative Audit
PO Box 113300
Juneau, AK 99811-3300

RECEIVED

DEC 22 2017

LEGISLATIVE AUDIT

Re: Response to confidential audit report on Department of Commerce,
Community and Economic Development, Alaska Tourism Marketing Board,
November 15, 2017

Dear Kris Curtis:

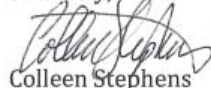
Thank you for providing us a chance to reply to the above mentioned audit report.

As the Chair of the Alaska Tourism Marketing Board, I agree with the Report
Conclusions, Findings and Recommendations.

Alaska Tourism Marketing Board is placing additional focus on the noticing of public
meetings to insure that for this point forward meetings are adequately public
noticed. (See note on page 8.)

Please feel free to contact me if you have additional questions or concerns.

Sincerely,



Colleen Stephens
colleen@stephenscruises.com

(Intentionally left blank)