



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued February 13, 2017

Massachusetts Office of Travel and Tourism's Administration of Regional Tourism Grant Awards For the period July 1, 2014 through June 30, 2015





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Making government work better

February 13, 2017

Mr. Francois Nivaud, Executive Director
Massachusetts Office of Travel and Tourism
10 Park Plaza, Suite 4510
Boston, MA 02116

Dear Mr. Nivaud:

I am pleased to provide this performance audit of the Massachusetts Office of Travel and Tourism's administration of regional tourism grant awards. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2014 through June 30, 2015. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Massachusetts Office of Travel and Tourism for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

MMARS	Massachusetts Management Accounting and Reporting System
MOTT	Massachusetts Office of Travel and Tourism
OSA	Office of the State Auditor
RTC	regional tourism council

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of the Massachusetts Office of Travel and Tourism's (MOTT's) administration of regional tourism grant awards.

In this performance audit, we examined MOTT's controls over the grant awards it made to regional tourism councils (RTCs) for the period July 1, 2014 through June 30, 2015. Our objective was to determine whether MOTT ensured that grant funds were not used for travel, entertainment, or equipment purchases, in accordance with Section 14 of Chapter 23A of the General Laws.

Based on our audit, we have concluded that for the period July 1, 2014 through June 30, 2015, MOTT had established adequate controls and complied with applicable laws and regulations for the areas we reviewed. We did not identify any significant deficiencies in those areas. However, in our audit, we determined that MOTT did not submit its fiscal year 2015 annual report on RTC grant activities to the Legislature in a timely manner and did not file a Chapter 647 report¹ with OSA. These issues are detailed in the "Other Matters" section of this report.

Post-Audit Action

As a result of our audit, MOTT filed the required fiscal year 2015 annual report with the Massachusetts House and Senate Committees on Ways and Means on November 17, 2016. In addition, on November 14, 2016, MOTT filed a Chapter 647 report with OSA describing unaccounted-for grant funds totaling \$9,000.

1. Under Section F of Chapter 647 of the Acts of 1989, MOTT is required to immediately report all "unaccounted for variances, losses, shortages, or thefts of funds or property" to OSA.

OVERVIEW OF AUDITED ENTITY

The Massachusetts Office of Travel and Tourism (MOTT) is authorized under Section 13B of Chapter 23A of the Massachusetts General Laws. MOTT is a state agency within the Massachusetts Marketing Partnership, which is organized under the Executive Office of Housing and Economic Development. According to Section 13F of Chapter 23A of the General Laws,

The office of travel and tourism shall serve as the principal agency for promoting the recreational, cultural, historic and scenic resources of the commonwealth to increase its desirability as a location for tourism, convention, travel and recreation-related activities by providing informational, marketing and technical assistance to public and private nonprofit entities organized for similar purposes.

According to MOTT's website, during calendar year 2014 tourism generated \$1.2 billion in state and local taxes and \$19.5 billion in travel-related expenditures, which supported 132,000 jobs within the Commonwealth that totaled \$4.1 billion in salaries and wages.

Regional Tourism Councils

The Commonwealth is divided into 16 tourism regions. Each region is marketed by a regional tourism council (RTC), an independent, membership-based, nonprofit organization. The RTCs develop regional advertising, public-relations campaigns, brochures, and other marketing initiatives. While MOTT's focus is to market the entire Commonwealth, the RTCs focus their efforts on promoting the tourist attractions within their regions.

RTCs are funded by membership fees, other private-sector revenue sources, and funding provided by MOTT through the Regional Tourism Grant Program. In fiscal year 2015, MOTT distributed \$5 million in grant awards to the 16 RTCs to support advertising, marketing, and administration. Section 14 of Chapter 23A of the General Laws requires that RTCs match their grant awards dollar for dollar with nongovernmental funds. MOTT uses a performance-based formula that considers the RTCs' economic impact (50%), marketing plans (30%), and ability to raise matching funds (20%) to determine grant-award amounts.

The table below details the grant awards MOTT provided to RTCs during fiscal year 2015.

Fiscal Year 2015 RTC Grant Awards*

RTC	Award	Percentage
Greater Boston Convention and Visitors Bureau	\$ 1,666,863	33.34%
Cape Cod Chamber of Commerce	498,100	9.96%
Greater Springfield Convention and Visitors Bureau	347,449	6.95%
North of Boston Convention and Visitors Bureau	275,553	5.51%
Greater Merrimack Valley Convention and Visitors Bureau	267,974	5.36%
Berkshire Visitors Bureau	261,846	5.24%
MetroWest Chamber of Commerce	216,370	4.33%
Franklin County Chamber of Commerce	208,519	4.17%
Plymouth County Convention and Visitors Bureau	197,267	3.95%
Martha's Vineyard Chamber of Commerce	187,011	3.74%
Nantucket Island Chamber of Commerce	181,253	3.63%
Hampshire County Convention and Visitors Bureau	169,915	3.40%
Southeastern Massachusetts Convention and Visitors Bureau	154,571	3.09%
Central Massachusetts Convention and Visitors Bureau	137,681	2.75%
Johnny Appleseed Trail Association	121,728	2.43%
Mohawk Trail Association	107,900	2.16%
Total	<u>\$ 5,000,000</u>	<u>100.00%</u>[†]

* These figures represent the award amounts after spending reductions were imposed by the Governor pursuant to Section 9C of Chapter 29 of the General Laws.

† Minor discrepancies in totals are due to rounding.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of the Massachusetts Office of Travel and Tourism’s (MOTT’s) administration of grant awards to regional tourism councils (RTCs) for the period July 1, 2014 through June 30, 2015.

We conducted this performance audit 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Below is our audit objective, indicating the question we intended our audit to answer and the conclusion we reached regarding this objective.

Objective	Conclusion
Did MOTT ensure that grants awarded to RTCs were not spent on travel, entertainment, or equipment purchases, in accordance with Section 14 of Chapter 23A of the General Laws?	Yes

To achieve our objective, we gained an understanding of the internal controls over the expenditure of grant funds by RTCs that we deemed significant to our audit objective and evaluated the design and tested the effectiveness of those controls. We also performed the following audit procedures:

- We reviewed the Commonwealth’s Information Warehouse to identify the amounts paid to each RTC.
- We selected 6 RTCs out of a total of 16 and reconciled payment amounts detailed in the state’s Massachusetts Management Accounting and Reporting System (MMARS) to each RTC’s final grant award during the audit period. These 6 RTCs represent 60% of the total awards granted during our audit period. At the 6 RTCs, we tested a total of 272 expenditures and their related supporting documentation to determine whether grant funds were improperly spent on travel, entertainment, or equipment purchases.
- We used a nonstatistical judgmental sample of 5 of the 16 RTCs to examine supporting documentation (invoices, payroll information, and canceled checks) provided by the RTCs to verify that they did not use grant funds for travel, entertainment, or equipment purchases. Since we used a nonstatistical sample, we could not project the results of the test to the entire population.

- We tested 100% of expenditures at 1 of the 16 RTCs to verify that grant funds were not used for travel, entertainment, or equipment purchases.

Based on OSA's most recent data-reliability assessment of MMARS, dated April 8, 2014,² and our current comparison of source documentation with MMARS information, we determined that the information obtained from MMARS for our audit period was sufficiently reliable for the purposes of our audit work.

2. As part of this assessment, we tested general information-technology controls for system design and effectiveness. We tested for accessibility of programs and data, as well as system change management policies and procedures for applications, configurations, jobs, and infrastructure.

OTHER MATTERS

1. The Massachusetts Office of Travel and Tourism should ensure that it files its required annual reports in a timely manner.

Although the matter was not part of our audit objective, our review of the Massachusetts Office of Travel and Tourism's (MOTT's) records showed that MOTT did not file an annual report with the Legislature on regional tourism council (RTC) grant activities for fiscal year 2015. Without timely reporting, the Legislature may not have had adequate information to make informed decisions about appropriations for this grant program.

This report is required by Section 14 of Chapter 23A of the Massachusetts General Laws:

Any agency receiving funds under this section shall make a report to the house and senate committees on ways and means on the use of said funds at such time and in such form as the executive director of tourism shall specify. The executive director of tourism shall establish guidelines in which to regulate the dispersal of funds under this section.

In the opinion of the Office of the State Auditor (OSA), MOTT should have submitted the report to the House and Senate Committees on Ways and Means as soon as this information was available after the end of fiscal year 2015. In order to be as useful as possible, the information needed to be accurate and timely. MOTT officials stated that the agency had prepared a draft copy of the report, but explained that because of a change in senior management and competing business priorities, the report was not finalized and submitted to the Legislature until November 2016, after the audit team raised this matter with MOTT's executive director.

OSA also believes that MOTT should take the measures necessary (e.g., develop policies and procedures) to ensure that it annually reports on the activities of the Regional Tourism Grant Program to the Legislature in a timely manner.

2. MOTT should ensure that it files all reports required by Chapter 647 of the Acts of 1989 with OSA.

During the audit, MOTT officials informed OSA that \$9,000 in fiscal year 2015 grant funds that it provided to the Central Massachusetts Convention and Visitors Bureau³ was unaccounted for and might have been

3. In July 2015, the Central Massachusetts Convention and Visitors Bureau was removed from the legislative language as a recipient of grant funds and was replaced by the Worcester Regional Tourism Corporation (now the Worcester Regional Visitors and Tourism Corporation).

stolen, misapplied, or abandoned. MOTT disclosed this matter in its fiscal year 2015 annual report to the Legislature on RTC grant activities. However, contrary to Chapter 647 of the Acts of 1989, MOTT did not file a report with OSA disclosing the unaccounted-for funds. Consequently, OSA could not take timely action to resolve this matter as required by law.

Section F of Chapter 647 of the Acts of 1989 states, in part,

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weakness that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

To comply with this law, MOTT should have submitted OSA's prescribed Chapter 647 report form immediately upon becoming aware of the potential theft, misapplication, or abandonment of the \$9,000. MOTT officials pointed out that the agency fully disclosed this situation in its fiscal year 2015 annual report to the Legislature on RTC grant activities. Additionally, they stated that since this loss was incurred by an RTC's customer, not directly by MOTT, they did not know whether a Chapter 647 filing was necessary. During the audit, OSA recommended that MOTT file the required Chapter 647 report. MOTT officials filed the required report immediately, in November 2016.