Louisiana Legislative Auditor

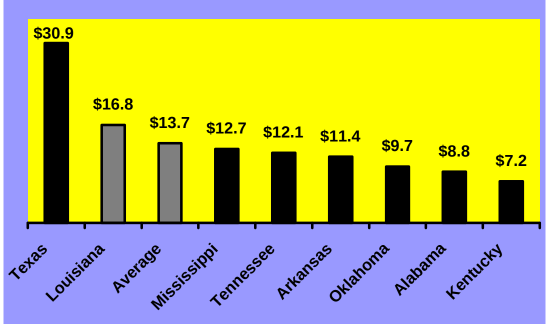
Report Highlights

Department of Culture, Recreation and Tourism
Louisiana Office of Tourism

March 2001

Louisiana
Come As You Are. *Leave Different.®*

The Louisiana Office of Tourism (LOT) within the Department of Culture, Recreation and Tourism is responsible for the promotion and expansion of the state's tourism industry. LOT conducts various promotional efforts, which include, but are not limited to, print advertisements, television broadcasts, contracts with foreign representatives, and trade show participation. To assist in promoting tourism, LOT contracts with outside entities. The largest of these contracts is with Peter A. Mayer Advertising and Partners (Mayer). In FY 2000, over 50% of LOT's expenditures were for services rendered by Mayer.



Office of Tourism Budget for South Central Region States FY 2000 (in millions)

Among the eight states that comprise the South Central Region, Louisiana had the second largest tourism promotion budget, totaling over \$16 million during FY 2000. The legislature recently approved a \$500,000 increase to LOT's funding each year for the next three years.

AUDIT RESULTS

- **LOT uses a questionable methodology to determine visitor numbers and economic impact.**
- **For every dollar Louisiana spent on tourism promotion in 1997, it received 32% less of an economic impact than neighboring states.**
- **LOT's Marketing Program staff are not adequately evaluating or monitoring contractors' performance.**
- **LOT's use of in-state public service announcements may be contradictory to state law, which prohibits the use of tourism funds for in-state advertising.**
- **Some of LOT's international contracts and agreements are duplicative and overlap.**

VALIDITY OF PERFORMANCE INDICATORS

What We Found

- Performance indicators are presented using data that are from different reporting periods (e.g., fiscal year, calendar year), making comparisons of data difficult. It should be noted, however, that LOT receives this data from outside sources in this format.

- Visitor data may be inaccurate due to use of at least three different definitions of "visitor" and the inclusion of wrong numbers and hang-ups in inquiry counts.

- LOT uses a questionable methodology to determine visitor numbers and may be overstating them.

- LOT's economic impact figure and visitor numbers cover the results of the entire tourism industry rather than its marketing efforts in a given year.

Recommendations

✓ LOT should work with the Office of Planning and Budget to (1) clearly indicate projected numbers or inconsistencies in performance data by using footnotes in the executive budget, (2) develop valid indicators to specifically measure LOT's performance, and (3) ensure that official reports contain performance data from the same reporting period that are comparable.

✓ A consistent methodology should be developed to determine total "visitors" to the state.

Matter for Legislative Consideration

✓ The legislature may wish to study the legal definition for "visitor" and ensure that the data LOT collects are consistent with this definition.

COMPARISON OF LOUISIANA AND OTHER SOUTH CENTRAL REGION STATES

What We Found

- LOT's FY 2000 budget of $16.8 million was the second largest in the South Central Region. Louisiana outspent its southern neighbors, with the exception of Texas, by an average of 23%.

- For every Louisiana resident, LOT spent $3.83 on promoting tourism, which is 64% above the regional average of $2.33.

- For every dollar that LOT spent on promoting tourism in 1997, an estimated economic impact of $459 was realized, while the region averaged $674. Consequently, on average, Louisiana's neighbors received a 47% greater economic impact per budget dollar spent.

- Louisiana, Tennessee, and Texas led the region in economic impact per capita in 1997. However, both Tennessee and Texas spend significantly less per capita than Louisiana on promoting tourism. Tennessee spent 43% less, and Texas spent 60% less.

Matter for Legislative Consideration

✓ The legislature may wish to examine the current tax dedication and budget allocation received by LOT to determine what level of funding is necessary in light of the economic benefit derived.

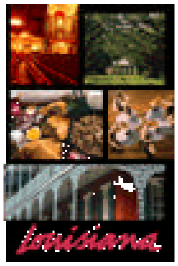
EFFECTIVENESS OF LOT'S MARKETING CAMPAIGN THROUGH CONTRACT WITH PETER A. MAYER ADVERTISING AND PARTNERS

What We Found

- During FY 2000, LOT spent $109,000 to contract and fund at least four different studies to monitor advertising effectiveness. However, because of inherent weaknesses in each of the studies, we could not determine with certainty the effectiveness of LOT's marketing campaign.

- Using information gathered from the various studies, we concluded that only 2% of those who inquire in response to LOT advertising are influenced to visit Louisiana.

- LOT spent nearly $43,000 to sponsor several specialty directories (e.g., Bed and Breakfast Directory, Christmas Directory, Campground Directory) that are produced by the Louisiana Travel Promotion Association (LTPA). However, the specialty directories include much of the same information as the Official Louisiana Tour Guide. In addition, LOT purchased the Official Louisiana Tour Guide from LTPA for over $500,000.



- During FY 2000, LOT spent nearly $400,000 on telephone answering services through the Mayer contract. A 1999 internal auditor's report cited failure to negotiate for lower rates, overbilling, and use of over 1,000 active toll-free lines that resulted in an increase in wrong numbers and hang-ups.

- State law prohibits the use of dedicated tourism funds for in-state media advertising. However, LOT indirectly spent $120,000 for public service announcements that were distributed through the Louisiana Association of Broadcasters and Louisiana Press Association, which could be in violation of state law.

Recommendations

✓ LOT should improve methods used to monitor the cost-effectiveness of its marketing campaign through the Mayer contract.

✓ LOT should examine its continued sponsorship of specialty directories because of possible duplication with the Official Louisiana Tour Guide.

✓ LOT should ensure that Mayer is sufficiently monitoring its subcontracts.

✓ LOT should examine its continued use of in-state public service announcements as in-state media advertising is prohibited by state law.

EFFECTIVENESS OF LOT'S MARKETING CAMPAIGN THROUGH CONTRACTS OTHER THAN PETER A. MAYER ADVERTISING AND PARTNERS

What We Found

- Performance evaluations were not always performed as required. In some instances, LOT officials could not locate the evaluations or completed the evaluations at the time of our request. Furthermore, the evaluations provided little detail and were not useful in determining the contractors' performance.

- There were several cases where LOT officials failed to monitor contracts effectively, resulting in the final products/services being inconsistent with requirements of the contract.

- Some contracts were found not to be cost-effective. While these contracts may have resulted in increased visitation, we determined that the funding could probably have been used more effectively. For example, LOT spent $1,000,000 to sponsor a jazz documentary on PBS where Louisiana received limited coverage.

- Some contracts/agreements provide services that are duplicative or overlap with each other.

- There were some instances where payments were made to contractors for services not included in the contract. In one of those instances, LOT did not receive proper approval from the Division of Administration.

Recommendations

✓ LOT should develop written policies that govern how contracts are to be monitored and evaluated.

✓ LOT should develop a more comprehensive performance evaluation, which specifically addresses the achievement of or failure to achieve the intended effect on tourism.

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Need More Information?

For a copy of the complete performance audit report, visit our Web site at

www.lla.state.la.us.

Questions? Call Dan Kyle at 225-339-3800.

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STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Department of Culture, Recreation and Tourism
Office of Tourism

March 2001

Performance Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Fifty-eight copies of this public document were produced at an approximate cost of $332. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. An executive summary of this document is available on the Legislative Auditor's Web site at www.lla.state.la.us.

Department of Culture, Recreation and Tourism
Office of Tourism

March 2001

Performance Audit
Office of the Legislative Auditor
State of Louisiana

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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OFFICE OF
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March 7, 2001

The Honorable John J. Hainkel, Jr.,
President of the Senate
The Honorable Charles W. DeWitt, Jr.,
Speaker of the House of Representatives

Dear Senator Hainkel and Representative DeWitt:

This report gives the results of our performance audit of the Department of Culture, Recreation and Tourism - Office of Tourism. This audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

This report contains our findings, conclusions, and recommendations. Appendix H contains the Department of Culture, Recreation and Tourism - Office of Tourism's response. We have also identified four matters for legislative consideration. I hope this report will benefit you in your legislative decision-making process.

Sincerely,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK/dl

[CRT]

Office of Legislative Auditor

Performance Audit
Department of Culture, Recreation and Tourism
Office of Tourism
Executive Summary

The Louisiana Office of Tourism (LOT) is primarily responsible for promoting tourism through various marketing activities, including out-of-state advertisement. LOT's appropriations have averaged $16 million annually from FY 1998 through FY 2000, and are expected to reach $17.5 million by FY 2003. This performance audit reviews the validity of LOT's performance indicators, tourism promotion spending in other South Central Region states, and the cost-effectiveness of LOT's various marketing efforts. The results are as follows:

Validity of Performance Indicators *(See pages 7 through 18 of the report.)*

- Some performance indicators may not be comparable as reported due to inconsistencies in how data are received from outside sources (i.e., calendar year, fiscal year and semi-annually).
- Some of the supporting data may be inaccurate due to the inclusion of wrong numbers and hang-ups in inquiry counts.
- LOT uses a questionable methodology for determining total visitor numbers.
- LOT reports economic impact data that reflect results of the entire tourism industry rather than its marketing efforts in a given year.

Comparisons to South Central Region States *(See pages 19 through 26 of the report.)*

- For FY 2000, Louisiana spent 23% more on promoting tourism than most other South Central Region states.
- For every tourism promotion dollar spent in 1997, Louisiana received 47% less of an economic impact than other regional states.
- Louisiana economic impact per capita was 20% above the regional average for FY 1997.

Effectiveness of Mayer Contract *(See pages 27 through 44 of the report.)*

- Study results vary on LOT's Marketing Campaign, thus campaign effectiveness cannot be determined with certainty.
- Some media buys generate no inquiries, but provide public relations benefit.
- Some in-state media purchases made through the Mayer contract for public service announcements and editorials may violate state law.

Effectiveness of Other Contracts *(See pages 45 through 62 of the report.)*

- LOT did not adequately monitor its contracts and agreements and does limited contract performance evaluations.
- Some contracts do not clearly show an impact on tourism and/or the impact cannot be determined.
- Many contracts/agreements provide similar services and some international contracts overlap and are duplicative.
- Expenses for at least one reception did not receive proper approval from the Division of Administration.

Daniel G. Kyle, Ph.D., CPA, CFE, Legislative Auditor
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Determine the validity of the Marketing Program's performance indicators reported in the executive budget and other required reports

The Louisiana Office of Tourism's (LOT) Marketing Program's performance indicators as presented in the fiscal year 2000 and 2001 executive budgets are not valid for measuring the office's performance. According to the Governmental Accounting Standards Board, performance indicators should be reasonably accurate and valid representations of the performance being measured. We found the performance indicators and the underlying data do not always match. The inconsistencies found were primarily due to limitations and data availability for LOT's research efforts, including the need to project "actual" data and the use of questionable methodology to develop other data. We found that throughout the industry the use of different methodologies, estimates and surveys make it difficult to measure and evaluate tourism impacts. Furthermore, some of LOT's indicators reflect the performance of the tourism industry as a whole rather than its marketing efforts in a given year. Thus, the entire outcome as portrayed in the executive budget cannot be attributed to the Marketing Program alone.

Recommendation 1: The Office of Tourism should work with the Office of Planning and Budget (OPB) to:

1. Clearly indicate any projected numbers or unavoidable inconsistencies in the data by using footnotes in the executive budget

2. Develop valid indicators to specifically measure the Office of Tourism's performance

3. Ensure that official reports published (i.e., Annual Report, Master Plan and Marketing Plan) all contain matching figures

Management's Response:

1. Agree. The Louisiana Office of Tourism does now and has always worked at great length with OPB to address this and other issues in the Executive Budget. We provide detailed information for every indicator used by OPB. Due to space constraints in the Executive Budget, detailed information provided by LOT is often summarized or omitted, making this recommendation beyond our control. (See Appendix H for the full text of the department's response.)

2. Agree. LOT uses broadly accepted methodologies in independent studies from leading researchers in the field to determine our effectiveness. Each of these studies uses a different model to calculate performance. The audit implies that since all of the studies did not indicate the same level of effectiveness, there must be an error in methodology. There was no basis provided in the report to refute the studies, they were simply disregarded. (See Appendix H for the full text of the department's response.)

3. Partially Agree. All reports issued by LOT used the best and most accurate figures available at the time of publication. LOT's policy is to report the most accurate numbers available, not to continue to report outdated numbers for the sake of consistency. Since tourism figures are updated throughout the year, it is highly unlikely that the reported figures will ever match the after-the-fact actual numbers. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments:

1. The issue is whether the performance indicators (e.g., number of visitors and economic impact) should reflect LOT's efforts or the tourism industry as a whole. As currently reported in the executive budget, the figures for number of visitors to the state are not all the result of LOT's efforts. This may require other performance indicators to be developed for LOT such as cost per inquiry and conversion rates.

Recommendation 2: The Office of Tourism should develop a consistent methodology that provides valid and reliable performance measures to determine total "visitors" to the state.

Management's Response: Partially Agree. LOT uses the same definition for visitor for all data collected and reported. There is an outdated statutory definition that was established in 1983, R.S. 51:1253(10). We have asked our oversight committees to address this matter in the upcoming legislative session. (See Appendix H for the full text of the department's response.)

Matter for Legislative Consideration 1: The legislature may wish to study the legal definition for tourist (visitor) and then ensure that the data the department collects is consistent with this definition.

How does Louisiana's tourism promotional spending compare with other South Central Region states?

Among the eight states that comprise the South Central Region, Louisiana had the second largest tourism promotion budget, totaling over $16 million during FY 2000. In FY 1997, Louisiana spent more per capita than most of its southern neighbors. In addition, Louisiana had the ninth largest tourism promotion budget among the 50 states. Although Louisiana's tourism promotion spending is well above the regional average, the percentage of the total budget that Louisiana allocates to specific tourism promotional efforts, such as advertising and research, is comparable to that of other states within the region. Louisiana led the region in economic impact per capita in 1997, but received 30% less of an economic impact for every tourism promotion dollar spent.

Matter for Legislative Consideration 2: The legislature may wish to examine the current tax dedication and budget allocation received by the Louisiana Office of Tourism to determine what level of funding is necessary in light of the economic benefit derived.

Department's Comments: We take exception to most of the analysis done in this section. While we do not disagree with the numbers reported, we do question their use as a measure of LOT's performance. A valid indicator would be a trend analysis, for example, showing that Louisiana's growth rate in both visitors and visitor spending has outpaced the region and the nation for the past five years. As a result of such true performance measures, we agree with the report's matter for legislative consideration, recommending a review of LOT's funding. All indicators show that increased funding will produce increased revenues for the state, while a decrease would similarly decrease state revenues.

Determine the cost-effectiveness of LOT's marketing campaign for the fiscal year 2000 (Mayer Contract)

We could not determine with certainty whether LOT's marketing campaign executed primarily through the Peter A. Mayer and Partners Advertising, Inc., is effective. Although three different studies were prepared, the results differ and the methodologies used may distort conclusions. We found that at least $180,000 was spent through the Mayer contract that may not be necessary. In addition, the Mayer contract does not include criteria for what constitutes an effective media buy or purchase. Thus, we found there is no way to determine the cost-effectiveness of some media buys. The contract with Mayer also allows Mayer to subcontract for professional services at LOT's request. However, Mayer is not sufficiently monitoring one of the services and the other service may violate state law. As a state agency, LOT is responsible for monitoring and evaluating all contracts. LOT should also ensure the state is receiving value for all contract deliverables. Because LOT is spending public funds for the Mayer contract, LOT should ensure that the funds are being spent properly and effectively.

Recommendation 3: LOT should improve upon its methods used to monitor the cost-effectiveness of its marketing campaign through the Mayer contract. These improvements should address the weaknesses cited with each study and establish a verifiable link between the marketing campaign and the number of visitors to ensure that the state receives a good return on investment.

> **Management's Response:** Disagree. Currently, three separate, objective studies, conducted by qualified tourism experts, concur that the LOT's marketing program is cost-effective. These studies clearly address the question of marketing effectiveness and conclude, "Overall, tourism advertising is a good investment for Louisiana." (UNO Study). No objective, third party, or expert study is offered to refute the findings of any of the three independent expert studies nor is any evidence presented to support the assessment that they could not determine, with certainty, whether the marketing campaign is or is not effective. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: Our audit reviewed each study's final report. However, we identified some possible weaknesses with the methodologies used in these studies. We have included this area as an issue for further study should the legislature desire to do so.

Recommendation 4: LOT should restructure the Mayer contract to include the criteria that media buys must meet in order to ensure that cost-effective media are bought.

Management's Response: Disagree. The contract in question is not the appropriate place for these issues. LOT and Mayer set objective, measurable criteria for media effectiveness. This is done, specifically and quantitatively, on an annual basis, but is done outside the contract in a more appropriate venue: The Annual Media Plan. The Annual Media Plan includes quantitative criteria for media plan evaluation, such as inquiries, cost per inquiry, media reach and frequency, advertising recall, intent to visit, and positive opinion. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: We reviewed the media plan. The plan does not address sponsorships for the Louisiana Travel Promotion Association (except the Christmas brochure) or the *Louisiana Life* editorials. In addition, the media plan is outside the contract and may not be legally binding.

Recommendation 5: LOT should review its sponsorship of all other Louisiana Travel Promotion Association brochures. The sponsorships that are duplicative should be discontinued.

Management's Response: Agree. We concur that LOT should review our sponsorship of certain Louisiana Travel Promotion Association (LTPA) brochures, but we do not agree with the assessment that our sponsorship is duplicative of the Louisiana Tour Guide. To agree with the statement that our funding is unnecessary and duplicative because many of the organizations mentioned in the brochures are also mentioned in the tour guide would be analogous to arguing that retail businesses have no need to advertise if they are listed in the Yellow Pages. The use of specialty brochures is a common practice of tourism offices throughout the United States. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: We do not dispute whether the LTPA should issue specialty guides or where the businesses should spend their advertising dollars. Through the Mayer contract, the department pays to have the front covers designed for LTPA's directories with no reimbursement from LTPA. The department also purchases ads on the back covers of these directories. With no promulgated rules or regulations for guidance, we could not determine whether this arrangement is appropriate. Also, there is no cooperative endeavor agreement between LOT and LTPA to partner on development of the guides. The guides are LTPA's publications.

Recommendation 6: LOT should ensure that Mayer is sufficiently monitoring its subcontracts, especially the Protocol contract, to ensure the state is receiving efficient and effective services.

> **Management's Response:** Disagree. The Department's internal audit findings were used to conclude that Mayer had not properly managed the Protocol contract. When in fact, it was Mayer, acting on behalf of LOT, who identified the problems, initiated its own internal review, shared the findings with LOT and with LOT, requested a formal audit by CRT's internal auditor. The results of this audit led to a renegotiated contract between Mayer and Protocol in 2000 that addressed all of the concerns raised by Mayer and the internal auditor. This clearly demonstrates that Mayer is monitoring the contract effectively, and that LOT is monitoring the Mayer contract effectively. (See Appendix H for the full text of the department's response.)
>
> **Legislative Auditor's Additional Comments:** At our January 4, 2001, exit conference, CRT's secretary informed us that Mayer had made him aware of problems with the inquiry fulfillment program. The internal audit, which was a joint effort between CRT's internal auditor and Mayer staff, began in late October 1999 and covered the eleven-month period January 1999 to November 1999--even though the contract with Protocol Communication, Inc., has been in effect since April 1995. The contract is between Mayer and Protocol; thus, it should have been Mayer's responsibility entirely (without CRT involvement) to investigate problems with the contractor, quantify these problems, and recoup any over-billings. In addition, had Mayer been properly monitoring the Protocol contract, it would have identified these problems much sooner. Furthermore, proper monitoring would have prevented the problems identified in the internal audit. It was not until after CRT's internal auditor issued the report dated January 14, 2000, that LOT and Mayer took any action to rectify the problems with the program.

Recommendation 7: LOT should review its editorials in *Louisiana Life* and advertisements placed with the Louisiana Association of Broadcasters and the Louisiana Press Association to see if they violate R.S. 51:1286(C)(1)(c), which prohibits the use of sales tax proceeds for the purchase of in-state media.

> **Management's Response:** Agree. LOT should review whether memberships in the Louisiana Association of Broadcasters and the Louisiana Press Association, as well as our agreement with Louisiana Life magazine are consistent with state law. It is suggested that the $180,000 spent on these projects was unnecessary and implies a waste of taxpayer dollars. We strongly believe that these relationships are consistent with state law and that the state receives exceptional value from these relationships, however, legislative direction may be required. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: The nearly $180,000 in expenditures that we questioned does not include LOT's memberships with the Louisiana Association of Broadcasters and the Louisiana Press Association. It is composed of $18,667 for *Louisiana Life* editorials; $117,000 for inefficiencies with Protocol; and $43,000 for LTPA sponsorships.

Determine the cost-effectiveness of LOT's marketing campaign for the fiscal year 2000 (other contracts)

We could not determine if LOT's marketing efforts through contracts outside the Mayer contract are cost-effective. In addition, some contracts appear to duplicate the services received in other contracts. LOT does not have written internal procedures relating to contract administration. As a result, LOT failed to adequately monitor contracts and agreements and to perform post-evaluations of these contracts and agreements. Consequently, public funds are spent without a determination of the value received. Good contract administration procedures include the evaluation of the contract's cost-effectiveness as it relates to the effect on tourism. Good contract administration procedures would also help LOT to better determine which contracts are needed for future marketing campaigns.

In addition, we found two payments to contractors for services not included in the contract/agreement where LOT spent nearly $56,000 for receptions. LOT did not obtain proper approval from the Division of Administration for one of the events. Furthermore, it is unclear whether either event had any positive impact in promoting tourism for Louisiana.

Recommendation 8: LOT should develop clear, comprehensive written policies on contract and agreement administration. These policies should govern how contracts and agreements are to be monitored by staff as they progress and how they are evaluated upon completion. The policies should cover all forms of contractual arrangements. These policies should comply with all guidelines set forth by the Office of Contractual Review (OCR) and also include additional policies designed by LOT. These additional LOT guidelines should be crafted to help it meet its internal goals.

- LOT should develop its own comprehensive "goals" form at the beginning of the contract/agreement and keep it in the LOT contract file. Upon the completion of the contract/agreement, the form will serve as a reminder of why the contract/agreement was entered into and assist the monitor in comparing results to the goals in order to properly evaluate performance. The "goals" form should explicitly address the intended effect on tourism.

- LOT should develop a more comprehensive performance evaluation. This evaluation should explicitly address the achievement of or failure to achieve the intended effect on tourism and the cost-effectiveness of the contract. LOT should make monitors aware that simple one-sentence comments are not acceptable and stress the importance of a more comprehensive and thoughtful approach to evaluating performance.

- LOT should better coordinate contract administration in order to eliminate duplicative and overlapping contracts.

Management's Response: Agree. While it should be noted that we strictly follow the state laws and Office of Contractual Review guidelines governing contracts, we agree that we need more controls internally. Explanation was given at the onset of this audit regarding our ongoing efforts to develop a set of contract policies and procedures. We acknowledge that more comprehensive guidelines are needed due to the unique nature of LOT contract. (See Appendix H for the full text of the department's response.)

Recommendation 9: LOT should require monitors to have a clear understanding of contract/agreement terms including the deliverables to be received, time frames for services to be provided, and intended effect on tourism in order to ensure the quality, timeliness, and effectiveness of the contracts they oversee. Clear knowledge of the contract/agreement terms will make it easier for the monitors to ensure the contractors strictly adhere to those terms.

Management's Response: Agree. This recommendation will be included in the policies and procedures being developed as stated above. (See Appendix H for the full text of the department's response.)

Recommendation 10: LOT should promulgate regulations, as specified in R.S. 51:1255 (20) and include how tourism proceeds will be used to promote Louisiana.

Management's Response: Disagree. This recommendation appears to suggest that we have formal written rules and procedures for all duties and functions. We believe the intent of R.S. 51:1255(20) is to adopt and promulgate rules only as needed to accomplish such functions. Requiring us to do so for each function would be inefficient and a waste of resources. (See Appendix H for the full text of the department's response.)

Recommendation 11: LOT should always ensure that special meal regulations are followed.

Management's Response: Agree. LOT makes every effort to ensure that special meal regulations are followed. LOT requests approximately one hundred exemptions from the state travel regulations each year. Given this volume, errors will occasionally occur, as pointed out in the audit. LOT takes this issue very seriously and works closely with the control agency to receive prior approval. (See Appendix H for the full text of the department's response.)

Matter for Legislative Consideration 3: The legislature may wish to require the Office of Contractual Review to extend its current contract guidelines to include cooperative endeavors.

Matter for Legislative Consideration 4: The legislature may wish to amend state law to require an assessment of the contract's cost-effectiveness in terms of measurable results and any other outcomes produced as a result of the contract.

Introduction

Audit initiation and objectives

State law directs the Office of the Legislative Auditor to conduct at least one performance audit of one program in each of the twenty executive branch departments over a seven-year period. The Department of Culture, Recreation and Tourism (CRT) was selected based on the predetermined schedule of audits of the Performance Audit Division. We focused our efforts on the Louisiana Office of Tourism (LOT) within the department because LOT has the largest budget of the offices within CRT. Specifically, we concentrated our audit on the Marketing Program within LOT because it accounts for almost three-quarters of LOT's expenditures. The Marketing Program provides most of its services through contracts for advertising and other tourism promotion efforts. The audit's scope and methodology are described in Appendix A. The audit objectives are as follows:

1. **Determine the validity of the Marketing Program's performance indicators reported in the executive budget and other required reports**

2. **Determine how Louisiana's state tourism budget, economic impact and promotion efforts compare to tourism offices in other states**

3. **Determine the cost-effectiveness of LOT's marketing campaign for fiscal year 2000**

Agency overview

Purpose and Statutory Authority

Louisiana Revised Statute (R.S.) 51:1254 establishes the Louisiana Office of Tourism within the Department of Culture, Recreation and Tourism. Since July 1990, LOT has been funded by a .03% sales tax dedication.

In addition, the legislature appropriated state sales tax revenues of approximately $28.8 million for FY 2000 that go to local government tourism and economic development entities. Appendix B is a listing of the local government recipients of this state sales tax dedication and the amount each received for FY 2000.

LOT is primarily responsible for marketing functions, including out-of-state advertisement. LOT is also responsible for expanding tourism, increasing employment opportunities in the tourism industry, attracting foreign and domestic (U. S. residents) visitors to the state, and conducting ongoing promotional campaigns to foster a positive state image.

LOT cooperates with the six remaining offices within the CRT, approximately 40 parish commissions, and the various public and private boards created to oversee the LOT function.

LOT's Funding

LOT's annual expenditures have averaged $16 million from FY 1998 through FY 2000. These expenditures are shown in Exhibit 1. In 1999, the Legislature approved an annual increase of the sales tax dedication of $500,000 for the next three fiscal years starting in FY 2001 (or a total of $1.5 million). As a result, the annual revenues are expected to reach $17.5 million by FY 2003.

Exhibit 1

Comparison of LOT's Program Expenditures
FY 1998 Through FY 2000

Program	FY 1998	Percent of Total	FY 1999	Percent of Total	FY 2000	Percent of Total
Administration	$794,798	5%	$915,658	6%	$915,710	6%
Marketing	11,590,831	75%	12,184,563	74%	12,023,857	74%
Welcome Centers	1,453,610	10%	1,782,262	11%	1,707,246	10%
Consumer Information	1,586,387	10%	1,572,798	9%	1,628,050	10%
Total	**$15,425,626**	**100%**	**$16,455,281**	**100%**	**$ 16,274,862**	**100%**

Source: Prepared by legislative auditor's staff using the Executive Budget and financial information provided by LOT for FY 2000.

Generally, LOT's Marketing Program accounts for 74% of its expenditures as shown in Exhibit 1. It has a staff of 10 persons. Approximately 70% of the Marketing Program's expenditures are for professional services. The professional services expenditures consist entirely of an advertising contract with Peter A. Mayer Advertising and Partners, the largest advertising agency in the state. LOT contracts with Mayer to implement its tourism promotion campaign. Exhibit 2 summarizes the Mayer contract expenditures for FY 2000. A more detailed summary is shown in Appendix C.

Exhibit 2

Summary of Mayer Contract Expenditures
FY 2000

Type of Service	Amount Paid
Media buys	$5,800,335
Production costs	1,537,477
Public relations	594,984
Other[1]	483,644
Total	**$8,416,440**

[1]Consists of Anserphone, inquiry/fulfillment management, printing, Mayer staff travel

Source: Prepared by legislative auditor's staff using LOT's reconciliation of the Mayer contract to ISIS.

In addition, expenditures include most of LOT's other contracts, cooperative endeavors, and interagency agreements for promotions, publicity, research, marketing, or evaluation. LOT spent over $2.4 million for these contracts for FY 2000. We reviewed 31(72%) of the 43 other contracts and agreements which total $2,346,673. Seven of the 31 tourism contracts were partially or fully paid with other funds. In 1997, the legislature established the New Orleans Area Tourism and Economic Development Fund (Act 1423 funds) in the state treasury. A portion of this fund is distributed to the department for tourism and economic development in New Orleans. Exhibit 3 summarizes the type of services LOT contracted for in FY 2000 for the contracts and agreements we reviewed. A detailed listing is shown in Appendix D.

Exhibit 3

Summary of Other Contracts and Agreements Reviewed by Type of Service FY 2000

Type of Service	No. of Contracts	Percentage of Number	Payments	Percentage of Total
Canadian Promotion	6	19%	$419,687	18%
International Promotion	5	16%	455,371	19%
Domestic Promotion	2	6 %	85,833	4%
Research	6	19%	180,707	8%
Visitor information fulfillment	3	10%	591,936	25%
Sponsorships [1]	7	23%	604,014	26%
Other	2	7%	9,125	0%
Total	**31**	**100%**	**$2,346,673**	**100%**

[1] Sponsorships are geared to promoting Louisiana's image and awareness to potential visitors.

Source: Prepared by legislative auditor's staff based on analysis of 31 of 43 contracts for FY 2000.

Overview of LOT's process for promoting tourism

LOT's mission is to promote and assist the expansion of tourism and the tourism industry and to increase employment opportunities through the orderly development of tourism facilities. In addition, LOT's mission is to invite visitors to the state and to conduct an ongoing promotional campaign of information to create and sustain a positive image and understanding of Louisiana. Mayer's role is to assist LOT to attract visitors to Louisiana through advertising campaigns during the year. The campaigns take place primarily in the spring and the fall of each year and involve various marketing efforts.

Exhibit 4 on the following page illustrates how LOT attracts visitors to Louisiana. Some of the marketing efforts that LOT uses to attract visitors to Louisiana are discussed below:

- Public relations efforts promote the state by hosting tours for travel writers (i.e., The Music Train) in hopes that they will write editorial stories about Louisiana, which will then result in increased tourism. The tours are referred to as FAM (familiarization) tours. FAM tours involve taking journalists and photographers to sites in Louisiana to experience the culture.

- Multicultural marketing involves promoting Louisiana to specific ethnic groups including Hispanics and African-Americans. LOT publishes specialized brochures in different languages, including Spanish, as well as a brochure that depicts African-American culture in Louisiana.

- Trade marketing involves marketing efforts to travel agents and tour operators to encourage sales of vacation packages to consumers. It includes strategic partnerships with Carlson-Wagonlit Travel, AAA, and Travelocity. According to Mayer staff, Carlson-Wagonlit Travel and AAA are the two largest travel agency chains in the United States. Travelocity is the largest online travel agency in the United States.

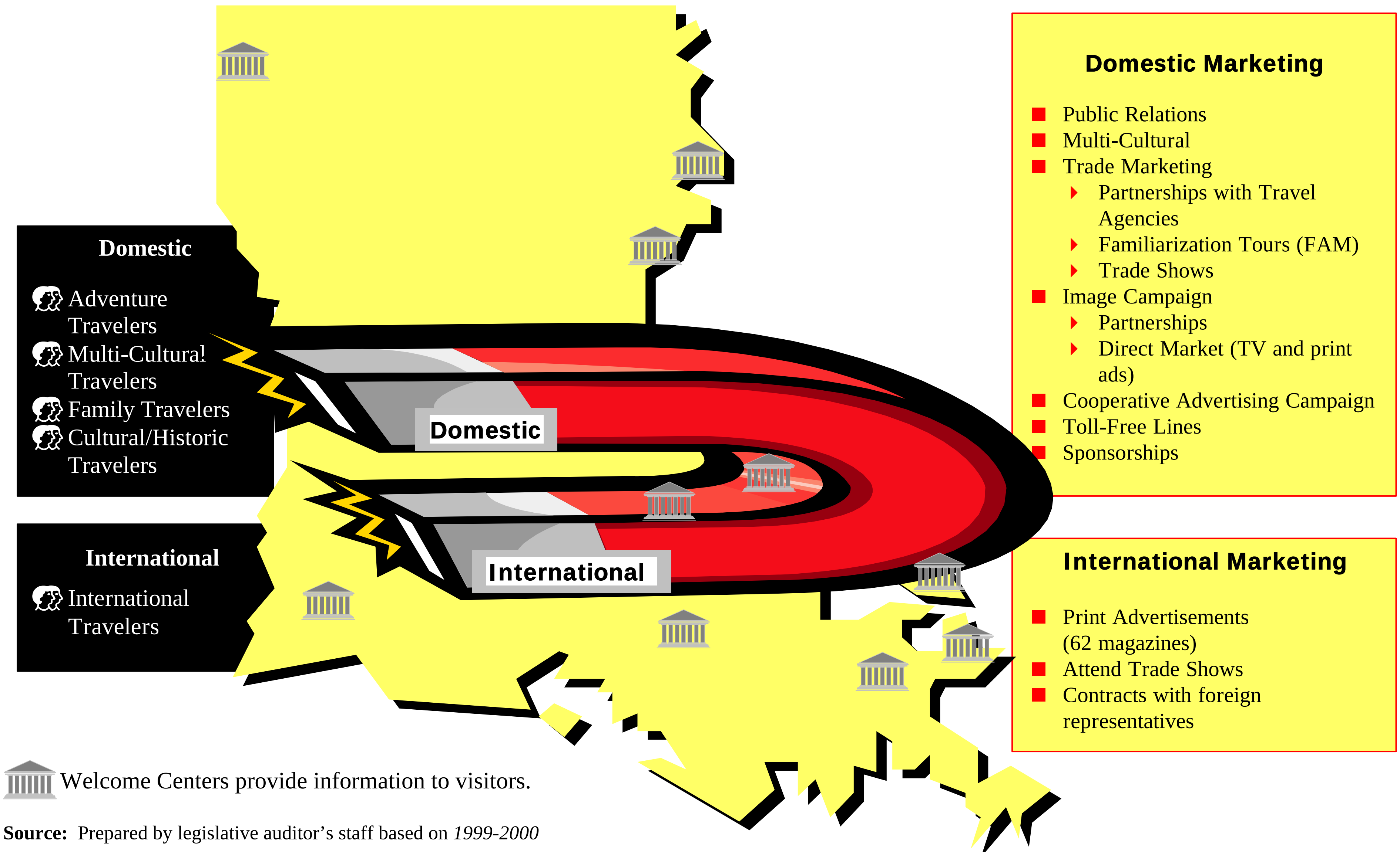
- Image advertising involves domestic ads in national and regional print (magazines) and regional spot-market television. It also includes a "cooperative advertising" element that allows LOT to partner with public and private agencies. For example, LOT and the Louisiana Travel Promotion Association (LTPA) jointly produce the *Louisiana Tour Guide*. In addition, through the cooperative advertising program, LOT and the local convention and visitors bureaus jointly purchase print advertising.

- Toll-free lines relates to LOT's function of fulfillment. That is, after an inquiry is made by phone, LOT must respond to potential visitors' requests for information. For LOT to know which ads and media sources are most effective, each print ad or commercial is tagged with its own toll-free number and unique tracking code. Anserphone (now Protocol) handles all toll-free requests for information from advertising. Prison Enterprises within the Department of Public Safety and Corrections prepares and mails materials to most potential visitors, and LOT's staff handles special requests.

- Sponsorships are geared to promoting Louisiana's image and awareness to potential visitors.

- International marketing involves promoting Louisiana in foreign countries through contracts with international representatives. They represent Louisiana at consumer and trade shows and in other public relations efforts. Louisiana contracts with representatives in Canada, Germany, France, Italy, the United Kingdom, Brazil, Mexico, and Japan.

Exhibit 4
How Louisiana Office of Tourism Attracts Visitors to Louisiana



Source: Prepared by legislative auditor's staff based on *1999-2000 Louisiana Marketing Report* and other LOT information.

Issues for further study

During this audit, several issues came to our attention that we could not pursue either because of time constraints or because these issues were outside of the scope of the audit. However, the legislature may wish to direct a study of these issues at a later time. These issues are summarized below:

- The department contracts for numerous studies to measure the impact that its promotional activities have on tourism. The legislature may wish to request a review of these studies to determine if their methodology is sound and how the department uses these studies to direct its promotional efforts.

- The department contracts out for the production and delivery of the *Louisiana Tour Guide.* However, we could not determine whether this arrangement is in the best interest of the state. A review of the amount of revenue generated by the tour guide and an identification of all costs relating to its acquisition could be beneficial.

- State law directs the department to conduct a cooperative advertising program. However, the law is vague and the department has not developed any formal regulations for this program. In addition, this program is not handled directly through the department but through its advertising agency. A detailed study of the cooperative advertising program would help the legislature to know whether this is a cost-effective program.

Validity of Performance Indicators

Determine the validity of the Marketing Program's performance indicators reported in the executive budget and other required reports

Our audit found problems with the accuracy and validity of the Louisiana Office of Tourism's (LOT) Marketing Program's performance indicators as presented in the fiscal year 2000 and 2001 executive budgets. According to the Governmental Accounting Standards Board, performance indicators should be reasonably accurate and valid representations of the performance being measured. We found the performance indicators and the underlying data do not always match. The inconsistencies found are primarily due to limitations and data availability for LOT's research efforts, including the need to project "actual" data and the use of questionable methodology to develop other data. We found that throughout the industry there are different methodologies, and the use of estimates and surveys that make it difficult to measure and evaluate tourism impacts. Furthermore, some of LOT's indicators reflect the performance of the tourism industry as a whole rather than its marketing efforts in a given year. Thus, the entire outcome cannot be attributed to the Marketing Program alone.

Recommendation 1: The Office of Tourism should work with the Office of Planning and Budget (OPB) to:

1. Clearly indicate any projected numbers or unavoidable inconsistencies in the data by using footnotes in the executive budget

2. Develop valid indicators to specifically measure the Office of Tourism's performance

3. Ensure that official reports published (i.e., Annual Report, Master Plan and Marketing Plan) all contain matching figures

Management's Response:

1. Agree. The Louisiana Office of Tourism does now and has always worked at great length with OPB to address this and other issues in the Executive Budget. We provide detailed information for every indicator used by OPB. Due to space constraints in the Executive Budget, detailed information provided by LOT is often summarized or omitted, making this recommendation beyond our control. (See Appendix H for the full text of the department's response.)

2. Agree. LOT uses broadly accepted methodologies in independent studies from leading researchers in the field to determine our effectiveness. Each of these studies uses a different model to calculate performance. The audit implies that since all of the studies did not indicate the same level of effectiveness, there must be an error in methodology. There was no basis provided in the report to refute the studies, they were simply disregarded. (See Appendix H for the full text of the department's response.)

3. Partially Agree. All reports issued by LOT used the best and most accurate figures available at the time of publication. LOT's policy is to report the most accurate numbers available, not to continue to report outdated numbers for the sake of consistency. Since tourism figures are updated throughout the year, it is highly unlikely that the reported figures will ever match the after-the-fact actual numbers. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments:

1. The issue is whether the performance indicators (e.g., number of visitors and economic impact) should reflect LOT's efforts or the tourism industry as a whole. As currently reported in the executive budget, the figures for number of visitors to the state are not all the result of LOT's efforts. This may require other performance indicators to be developed for LOT such as cost per inquiry and conversion rates.

Recommendation 2: The Office of Tourism should develop a consistent methodology that provides valid and reliable performance measures to determine total "visitors" to the state.

Management's Response: Partially Agree. LOT uses the same definition for visitor for all data collected and reported. There is an outdated statutory definition that was established in 1983, R.S. 51:1253(10). We have asked our oversight committees to address this matter in the upcoming legislative session. (See Appendix H for the full text of the department's response.)

Matter for Legislative Consideration 1: The legislature may wish to study the legal definition for tourist (visitor) and then ensure that the data the department collects is consistent with this definition.

Some performance indicators may not be comparable

Performance indicators should be consistent and comparable over time, according to the Governmental Accounting Standards Board. We found that LOT's performance indicators in the executive budget do not give a clear picture of what the office is accomplishing due to the inconsistencies in how data are received from outside sources. Some data are presented on a fiscal year basis; some are on a calendar year basis; and still others are on a semiannual basis. These inconsistencies make the performance indicators hard to compare as a whole.

Exhibit 5 presents the performance indicators taken from the "actual" column of the executive budget for LOT's Marketing Program from 1997 to 1999.

Exhibit 5

Performance Indicators for the Louisiana Office of Tourism's Marketing Program

	Performance Indicators	**Calendar Year**		
		1997	**1998**	**1999**
1.	Dollars spent by visitors to the state (in billions)	$7.3	$7.8	$8.2
2.	Number of visitors to the state (in millions)	25.5	24.2	25.2
3.	Number of foreign visitors to state of Louisiana	455,000	500,000	471,000
4.	State taxes collected from visitor spending (in millions)	$321.2	$338.9	$366.8
	Performance Indicators	**Fiscal Year**		
		1997-1998	**1998-1999**	**1999-2000**
5.	Number of requests for travel information	1,044,903	832,102	665,490
6.	Average spending per visit by travelers influenced by advertising	$1,195	$1,409	$1,268
7.	Visitor spending per advertisement dollar	$82	$75	$59
8.	Number of times Internet site accessed	702,633	1,135,876	1,611,216

Source: Prepared by legislative auditor's staff using figures in the Actual column for the Department of Culture, Recreation and Tourism in FY 2000 and 2001 executive budget supporting documents. 1999 figures were obtained from the Office of Tourism's research director.

In reviewing the performance data, the first four indicators are reported by calendar year, while indicators 5 and 8 are reported by fiscal year. In addition, indicators 6 and 7 report the results of the Spring Advertising Campaign, which only covers six months (January through June). The figures reported could be different after the Fall Advertising Campaign of that year. Footnotes in the executive budget point out that some indicators are reported by the calendar year; however, there is no footnote in the budget that shows indicators 6 and 7 are reported for the Spring Campaign (or semiannual) only. These inconsistencies make it difficult for legislators and budget analysts to make accurate comparisons. However, according to LOT officials, the Office of Planning and Budget (OPB) policy limits the footnotes that are included in the executive budget. LOT officials also say that to make the data consistent on a time period basis would be cost-prohibitive.

In addition, we found that over the past three years (1997-1999) 50% of the executive budget performance indicators for LOT's Marketing Program agree with source documents. The values for the following indicators did not agree with source documents and/or use questionable methodology to develop the indicators (from Exhibit 5):

- Number of visitors to the state (in millions) #2
- Number of foreign visitors to the state #3
- Visitor spending per advertisement dollar #7
- Number of times the internet site accessed #8

According to LOT officials, the values did not agree with source documents because the office makes projections where final data are not available.

Furthermore, we found that there is limited review for accuracy of performance data before it is submitted for the executive budget. The fiscal officer stated that the numbers originate with the research director and then are sent to the Office of Management and Finance (OMF) for review; however, OMF is not involved in making projections or verifying the performance indicators. The office checks for completion and trends from prior year budget numbers. If the numbers are found to have a variance of more than 5%, the fiscal officer will discuss the data with the undersecretary and secretary to determine the cause. If the secretary has a concern about the reported numbers, he will talk to the research director to decide what should be done.

For the purpose of this audit, we focused primarily on the first two indicators in Exhibit 5, which we considered the most significant. These are:

1. Dollars spent by visitors to the state (in billions) - includes all travel-related expenditures of the domestic and international visitors to Louisiana

2. Number of visitors to the state (in millions) - includes domestic (U.S. residents) and international visitors to Louisiana

Some of the supporting data may be inaccurate

No commonly accepted definition of "visitor"

According to a researcher with Research Decision Scientific, LLC, an applied research and management-consulting firm, "a fundamental problem with the tourism industry is the lack of a standard definition for a tourist or visitor." He noted that because of the lack of standardization, some in the industry occasionally take advantage of the latitude by expanding the definition to artificially drive up the projected visitors to their area." This situation leads to visitation numbers that may not be accurate.

We found that LOT uses at least three different definitions for visitors depending on the situation or types of research being conducted. For example, the office contracts with Travel Industry Association of America to provide research on economic impact and visitor numbers. However, there are different definitions used for visitors in the two studies. There is also a definition in Louisiana state law that does not appear to be used for these research reports.

Exhibit 6 below shows the different definitions of visitors used within the state Office of Tourism as well as the legal definition found in state law.

Exhibit 6

Visitor Definitions Used by the Louisiana Office of Tourism

Definition	Purpose	Distinctions	Source
Tourist (visitor) means any person who travels to and in Louisiana, for at least 200 miles or more round trip or who seeks overnight accommodations for recreation, pleasure, personal reasons or other purposes except for work.	Louisiana state law	• Must be 200 miles or more round trip OR spends the night. • **Includes residents and nonresidents.**	R.S. 51:1253
Visitor includes those not residing in the areas under study who travel away from home overnight in paid accommodations or on a day trip of 200 round-trip miles or more and visit the area.*	Economic Impact Study	• Must be 200 miles or more round trip OR spends the night in paid accommodations. • **Includes nonresidents only.**	Travel Industry Association of America
Visitor includes a resident of the U.S. who travels on a trip of 50 miles or more one way away from home or spends one or more nights away from home and returns. A person who takes a trip for business or pleasure that is not the normal routine.	TravelScope (Domestic Visitor number)	• Must be 100 miles or more round trip OR spends the night. • **Includes residents and nonresidents.**	Travel Industry Association of America
Visitor includes any person who travels at least 50 miles from his residence for the purpose of entertainment, vacation, personal business, and/or attending a meeting, conference, seminar or some other business function that is not routine.	3 Year Master Plan Update	• Must be 100 miles or more round trip. • **Includes residents and nonresidents.**	Office of Tourism

*LOT officials claim this definition is not accurate; however, they could not provide adequate information saying otherwise. They did provide a similar TIA definition of "travel," which again has no commonly accepted definition in the literature.

Source: Prepared by legislative auditor's staff from sources provided by LOT and the Louisiana Revised Statutes.

We found that the legal definition is not completely consistent with any of the definitions used by the office. As noted above, the legal definition includes residents and nonresidents of Louisiana, while the economic impact study definition includes nonresidents only. The two other definitions include both residents and nonresidents;

however, the required mileage goes from 200 miles round-trip to 100 miles round-trip. Thus, the visitor statistics will likely vary depending on which definition is used.

In addition, it appears that different states may develop their own definitions to satisfy their individual tourism needs. We noted that only Louisiana, Tennessee, and Alabama appear to have similar definitions of the eight South Central Region states reviewed, as they all use the same source (Travel Industry Association of America) for this type of research (see Appendix E). The use of various definitions could make the office develop and report conflicting visitation numbers. Also, this makes the visitor information difficult to compare across the states if the figures come from different sources.

Inquiry count includes wrong numbers and hang-ups

According to OPB, performance data should be credible, in other words, based on accurate and reliable data. Inquiry information provides the foundation for developing "number of requests for travel information" (indicator 5) and "number of times Internet site is accessed (online inquiries)" (indicator 8).

LOT has used an "inquiry tracking" method to determine how potential visitors are responding to advertisements created and placed by the advertising agency. Some "inquiries" come from the phone calls and mail responses to tourism advertisements seen in magazines and on television or heard on the radio. We found the total number of inquiries reported for 1997 to 1999 was inaccurate due to a method of counting calls that includes incomplete calls, such as hang-ups and wrong numbers. For example, according to an internal audit conducted from January 1999 through November 1999, nearly one-third (32%) of inquiry calls were found to be wrong numbers and hang-ups. Although these numbers were inaccurate, the office continued to include these figures in its annual report and other reports in order to be consistent with prior years. CRT's internal auditor brought this issue to the attention of LOT and Mayer before our audit. Also, the answering service, Protocol, reports that it informed Mayer that accurate information was available; however, Mayer declined to use it before FY 1999. With OPB approval, the correct count should be reported in future supporting documents.

Furthermore, the report of "online inquiries" was found to be inaccurate when compared to reported budget information. LOT officials said that the tracking and converting of online inquiries to actual visitors is a new process that is still being developed; therefore, the office has had difficulty in getting accurate numbers for indicator 8. LOT officials told us that current data used for performance indicators are not usually available when needed for submission to OPB for budget preparation; therefore, projections are necessary. Officials further noted that OPB policy prohibits them from updating the budget later when more current and accurate information becomes available.

LOT has questionable methodology for determining total visitor numbers

Each year since 1994, LOT contracts with Travel Industry Association (TIA) of America for the *TravelScope* survey of U.S. visitor volume. *TravelScope* is a monthly survey of 25,000 U.S. households that are a part of a consumer mail panel sponsored by the National Family Opinion (NFO) Research, Inc. According to TIA, NFO conducts the poll of travelers with the largest consumer panel in the industry. TIA reported that a survey sample of 20,000 households in 1995 received 14,400 responses, or 72%. The incidence of traveling households was found to be 33% of the total returns or about 4,700 households.

We found that the figures reported in total visitor number (indicator 2) also include other survey data from the formerly contracted *National Travel Survey*. LOT combines the two surveys to create its own estimation of domestic visitor volume. According to OPB, performance indicators should be simple, but informative, easily calculated, presented and understood. LOT should also use standard statistical or quantitative methods.

According to LOT's director of research, the domestic visitor numbers (includes resident and nonresidents of Louisiana) are based on the former and current surveys obtained from the Travel Industry Association of America. LOT used the *National Travel Survey* from 1988 to 1994 (a monthly telephone survey). In 1994, Travel Industry Association of America introduced *TravelScope*, a mail panel survey specifically designed to estimate visitors to states and major destinations. Louisiana began using *TravelScope* at that time; however, there were some significant differences in the overall travel estimates nationwide.

According to LOT's research director, the most significant difference between the two surveys was that *TravelScope* undercounts "day trippers" (travelers who do not stay in overnight accommodations). We found that the telephone survey figures from *National Travel Survey* were consistently 17% higher than the mail survey data reported by *TravelScope.* However, the research director stated in order to "continue the trend," the office takes the prior *National Travel* telephone survey figure from 1994, and continually adds the increases reported by *TravelScope's* mail survey each year. Therefore, we concluded the reported visitation numbers are 17% higher than what actual data show.

It should be clarified that the actual *National Travel Survey* data (telephone survey) has not been available to Tourism's research department since the termination of the contract in 1994; however, the visitation numbers continued to be calculated through the above-described method using the old data from 1994. Since this process has been used for the past six years, the research to determine the number of visitors to Louisiana has never fully relied on the currently contracted *TravelScope* data and consequently continues to be 17% higher than actual reported figures in *TravelScope.*

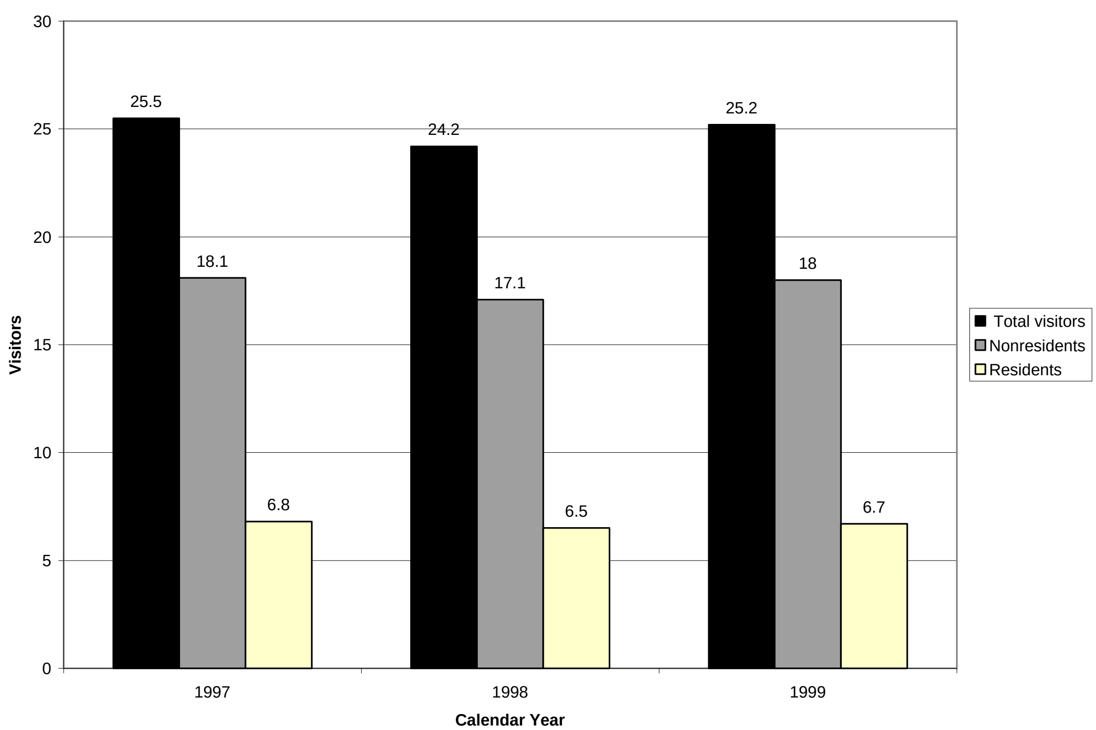
The Governmental Accounting Standards Board recommends that performance indicators be understandable and not overly technical. We found the data used to obtain domestic visitors are difficult to follow and questionable due to the use of multiple sources to determine the final estimate of total number of visitors each year.

For example, we analyzed this information to see how the number of visitors is affected considering that the total number of domestic visitors was inflated by 17%. We estimated that if the 17% increase is deducted from the 25 million, the total number of visitors changes to 20.7 million visitors per year. Furthermore, we found that Louisiana residents (6.7 million) make up 26.8% of the total visitors in the past three years.

Exhibit 7 compares total visitors to resident visitors and nonresident visitors for calendar years 1997-1999.

Exhibit 7

Total Visitors, Nonresidents and Residents (in millions)
FY 1997-1999



Note: "Total visitors" includes an estimated 600,000 international visitors each year.

Source: Prepared by legislative auditor's staff using data provided by LOT officials.

In addition, indicator 2 (total number of visitors) includes international (foreign) visitors, which are also reported separately in indicator 3 of Exhibit 5. International visitor volume is measured by the U.S. Department of Commerce's *In-flight Survey* and *Statistics Canada's International Travel Survey*, which includes overseas and Canadian visitors only. We found that indicator 3's figures are on average 26% less than the number of foreign visitors that are included in indicator 2. According to LOT's director of research, LOT projects 600,000 foreign visitors each year. Of this number, between 100,000 and 120,000 visitors are estimated to come from Mexico and Central America. However, these estimates do not have a reliable data source and are not included in the number of foreign visitors reported in indicator 3.

It should be noted that, in general, the surveys used to determine visitor volume and other tourism data produce rough estimates only, rather than actual figures. According to LOT officials, estimations and projections are common practice in the industry. LOT further claims that the accuracy of the numbers is not as important as the trend of the data. We found that measuring actual visitor volume and actual economic impact that result from LOT's efforts would be nearly impossible to do.

LOT's economic impact data reflect results of the entire tourism industry

The office also contracts with the Travel Industry Association of America for the *Economic Impact of Travel on Louisiana Parishes* to determine the total travel-generated expenditures and sales taxes each year. Tourism's reported performance indicator for economic impact (indicator 1 in Exhibit 5) that is determined by this study has ranged from $7.3 billion in 1997 to $8.2 billion in 1999. According to the Governmental Accounting Standards Board, performance data should be relevant to the services for which they are being reported, in this case the Marketing Program's performance. LOT's research director stated that the economic impact reported reflects efforts of the entire tourism industry rather than just LOT's efforts. However, the office plays a significant role.

The Travel Industry Association of America uses the "Travel Economic Impact Model" (TEIM), developed from 1972 census and survey data, to estimate travel expenditures and the resulting business receipts, employment, personal income and tax receipts generated by these expenditures based on Standard Industry Classifications (SIC) code categories. The impact study divides expenditures into six primary spending categories by industry, including:

1. Public transportation
2. Auto transportation
3. Lodging
4. Food services
5. Entertainment and recreation
6. General retail trade

According to TIA's U.S. Travel Data Center report, the "Final Economic Analysis Methodology," the TEIM ratios are computed for each type of travel-related activity in each state. The ratios are then applied to the National Travel Expenditure Model estimates to derive estimates of traveler expenditures in each state.

Exhibit 8 shows the direct travel-related expenditures (domestic and international) in Louisiana as reported by the Travel Industry Association of America for the six primary components of the travel industry for 1998 and 1999, as well as the percent change between 1999 and 1998.

Exhibit 8

Direct Travel Expenditures in Louisiana by Industry 1998 to 1999

Domestic Expenditures	**1998 (millions)**	**1999 (millions)**	**% change 1999 from 1998**
Public Transportation	$889.2	$926.8	4.2%
Auto Transportation	1,261.2	1,406.9	11.6%
Lodging	1,464.7	1,575.4	7.6%
Food Services	1,893.0	2,010.1	6.2%
Entertainment and Recreation	1,004.1	1,050.5	4.6%
General Retail Trade	657.0	712.1	8.4%
****Domestic Total**	**$7,169.2**	**$7,681.8**	**7.2%**
International Expenditures*			
Public Transportation	$70.5	$73.0	3.5%
Auto Transportation	6.7	7.2	7.2%
Lodging	167.5	175.4	4.7%
Food Services	88.4	91.8	3.8%
Entertainment and Recreation	45.1	46.4	2.9%
General Retail Trade	108.9	114.6	5.2%
****International Total**	**$487.1**	**$508.7**	**4.4%**
Total Expenditures			
Public Transportation	$959.7	$999.8	4.2%
Auto Transportation	1,267.9	1,414.1	11.5%
Lodging	1,632.2	1,750.8	7.3%
Food Services	1,981.4	2,101.9	6.1%
Entertainment and Recreation	1,049.2	1,096.9	4.5%
General Retail Trade	765.9	826.7	7.9%
****Grand Total**	**$7,656.3**	**$8,190.2**	**7.0%**

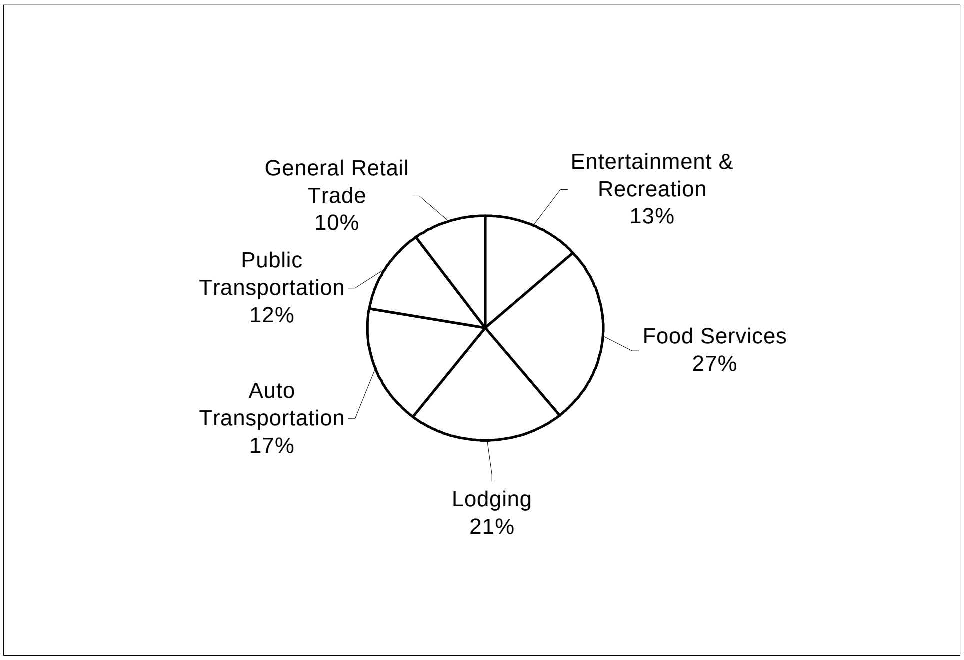
Notes: *Projected; **total domestic expenditures and percent change from previous years are rounded.

Some columns may not total because of rounding

Source: Prepared by legislative auditor's staff using data obtained from USTDC/TIA, Tourism Industries/ITA.

Exhibit 9 represents the six primary industry components as a percent of the total travel spending in Louisiana for 1999.

Exhibit 9
1999 Travel Spending in Louisiana by Industry



Entertainment and recreation sector includes activities such as golfing, skiing, and gaming.

General retail trade sector includes gifts, clothes, souvenirs, and other incident retail purchases.

Public transportation sector comprises air, intercity bus, rail, boat or ship, and taxicab or limousine service.

Auto transportation sector includes privately owned cars that are used for trip (i.e., automobiles, trucks, campers or other recreational vehicles), gasoline service stations, and automotive rental.

Lodging sector consists of hotels and motels, campgrounds, and ownership or rental of vacation or second homes.

Food services sector includes restaurants, grocery stores, and other eating and drinking establishments.

Source: Travel Industry Association of America, "The Economic Impact of Travel on Louisiana Parishes 1999."

Where no data exist, the TIA model uses numerous assumptions in developing the economic impact. Among these assumptions are:

1. All costs of round-trip airline tickets should be attributed to the state of origin. One-half the cost of one-way airline tickets should be distributed to the state of origin. Thus, Louisiana's economic impact in this area would be affected by residents going from Louisiana to other destinations.

2. Seventy-five percent of the costs of bus travel is allocated to the origin state.

3. Travelers who stay with family and friends will bring gifts as tokens of their appreciation for their hosts' hospitality. The gift expenditure is distributed to the state of residence of the traveler.

4. Entertainment expenditures are distributed to the state in which the traveler spent the night or the origin state if no nights were spent away from home.

Comparisons of Louisiana and Other South Central Region States

How does Louisiana's tourism promotional spending compare with other South Central Region states?

Among the eight states that comprise the South Central Region, Louisiana had the second largest tourism promotion budget, totaling over $16 million during FY 2000 and spent more per capita than most of its southern neighbors. In addition, Louisiana had the ninth largest tourism promotion budget among the 50 states. Although Louisiana's tourism promotion spending is well above the regional average, the percentage of the total budget that Louisiana allocates to specific tourism promotional efforts, such as advertising and research, is comparable to that of other states within the region. Louisiana led the region in economic impact per capita in 1997, but received 30% less of an economic impact for every tourism promotion dollar spent.

Matter for Legislative Consideration 2: The legislature may wish to examine the current tax dedication and budget allocation received by the Louisiana Office of Tourism to determine what level of funding is necessary in light of the economic benefit derived.

Department's Comments: We take exception to most of the analysis done in this section. While we do not disagree with the numbers reported, we do question their use as a measure of LOT's performance. A valid indicator would be a trend analysis, for example, showing that Louisiana's growth rate in both visitors and visitor spending has outpaced the region and the nation for the past five years. As a result of such true performance measures, we agree with the report's matter for legislative consideration, recommending a review of LOT's funding. All indicators show that increased funding will produce increased revenues for the state, while a decrease would similarly decrease state revenues.

Louisiana spends more on promoting tourism than most other South Central Region states

To determine how Louisiana's spending on tourism promotion compared to other states in our region, we obtained data from the *1999-2000 Survey of U.S. State and Territory Tourism Offices*, February 2000, by the Travel Industry Association of America. We found that for FY 2000, LOT spent over $16 million, giving Louisiana the second largest tourism promotion budget of the eight South Central Region states. The South Central Region as defined by the Travel Industry Association of America includes Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas. Louisiana outspent its southern neighbors, with the exception of Texas, by an average of 23%. Exhibit 10 on the following page shows the FY 2000 budget for the tourism offices of each South Central Region state.

Exhibit 10

Office of Tourism Budgets for South Central Region States FY 2000

State (ranked by budget amount)	**Projected Tourism Budget**	**Percent Above/Below Average**
Texas	$30,875,113	126%
Louisiana	**16,758,578**	**23%**
Average	**13,674,880**	
Mississippi	12,681,198	-7%
Tennessee	12,052,200	-12%
Arkansas	11,397,938	-17%
Oklahoma	9,665,611	-29%
Alabama	8,790,604	-36%
Kentucky	7,177,800	-48%

Source: Prepared by legislative auditor's staff using data from *1999-2000 Survey of U.S. State and Territory Tourism Offices*, February 2000, by Travel Industry Association of America. We did not audit these data.

Per Capita Spending. Louisiana's per capita spending on tourism promotion was also well above the South Central Region average. We found that for each Louisiana resident, LOT spent $3.83 on the promotion of tourism in FY 2000. However, the per capita spending on tourism for the South Central Region averaged only $2.33, which is 39% less. Louisiana ranked third among the eight states, spending two and one-half times more per resident than Texas. Louisiana spent nearly two times more per capita than Alabama, a state that has a population very comparable to Louisiana's. Exhibit 11 on the following page shows the per capita spending for each South Central Region state.

In addition to outspending most of its southern neighbors in FY 2000, Louisiana ranked ninth in tourism promotion budgets among the 50 states. Louisiana had a larger tourism promotion budget than California, Nevada, and Colorado.

Exhibit 11 Per Capita Spending on Tourism Promotion for South Central Region States FY 2000		
State (ranked by per capita spending)	**Population Estimate**	**Projected Tourism Promotion Spending Per Capita**
Mississippi	2,768,619	$4.58
Arkansas	2,551,373	4.47
Louisiana	4,372,035	3.83
Oklahoma	3,358,044	2.88
Average	**5,863,554**	**2.33**
Tennessee	5,483,535	2.20
Alabama	4,369,862	2.01
Kentucky	3,960,825	1.81
Texas	20,044,141	1.54

Source: Prepared by legislative auditor's staff using data from U.S. Census Bureau's State Population Estimates, July 1999, and *1999-2000 Survey of U.S. States and Territory Tourism Offices*, February 2000, by Travel Industry Association of America. We did not audit these data.

Advertising Budgets. With a larger than average tourism promotion budget, Louisiana's spending on domestic advertising and international advertising were also well above average by 23% and 46%, respectively. Domestic advertising consists of regional and national promotional efforts that include consumer print advertisements and television broadcasts. International advertising efforts include trade show participation and advertisements in foreign travel publications. Exhibits 12 and 13 show Louisiana's ranking among South Central Region states for domestic and international advertising budgets. International advertising figures were not available for Arkansas.

When examining how South Central Region states allocate their tourism promotion dollars for domestic and international advertising, we found that Louisiana's allocations were comparable to its neighbors'. Exhibit 12 shows that Louisiana spent 34% of its tourism promotion budget on domestic advertising, which mirrors the regional average. Louisiana's 6% allocation to international advertising was slightly more than the regional average of 5%.

Exhibit 12

Domestic Advertising Budgets for South Central Region States FY 2000

State (ranked by budget amount)	**Projected Domestic Advertising Budget**	**Percent Above/Below Average**	**Percent of Total Tourism Budget**
Texas	$11,011,000	139%	36%
Louisiana	**5,650,900**	**23%**	**34%**
Arkansas	5,443,271	18%	48%
Average	**4,598,108**		**34%**
Tennessee	3,738,442	-19%	31%
Oklahoma	3,510,085	-24%	36%
Mississippi	3,007,168	-35%	24%
Kentucky	2,724,000	-41%	38%
Alabama	1,700,000	-63%	19%

Source: Prepared by legislative auditor's staff using data from *1999-2000 Survey of U.S. States and Territory Tourism Offices*, February 2000, by Travel Industry Association of America. We did not audit these data.

Exhibit 13

International Advertising Budgets for South Central Region States FY 2000

State (ranked by budget amount)	**Projected International Advertising Budget**	**Percent Above/Below Average**	**Percent of Total Tourism Budget**
Texas	$2,419,860	233%	8%
Louisiana	**1,064,500**	**46%**	**6%**
Mississippi	768,413	6%	6%
Average	**727,937**		**5%**
Alabama	310,000	-57%	2%
Tennessee	257,050	-65%	2%
Oklahoma	245,733	-66%	3%
Kentucky	30,000	-96%	.4%

Source: Prepared by legislative auditor's staff using data from *1999-2000 Survey of U.S. State and Territory Tourism Offices*, February 2000, by Travel Industry Association of America. We did not audit these data.

Media Purchases. LOT allocates 29% of its overall tourism promotion budget to media purchases, which matches the regional average. Media purchases include magazine, newspaper, radio, television, outdoor, and other advertising. In examining how much of the media budget is allocated to specific media purchases, we found that Louisiana's allocations for television and magazine advertising are similar to its neighbors'. Most states in the region, including Louisiana, dedicate approximately 80% of their media budgets to television and magazine advertising. Exhibit 14 shows media budgets for Louisiana and other South Central Region states.

Exhibit 14

Media Budgets of South Central Region States
FY 2000

State (ranked by budget amount)	**Projected Total Tourism Budget**	**Media Budget**	**% Media Budget to Total Budget**	**TV Budget**	**% TV Budget to Media Budget**	**Magazine Budget**	**% Magazine Budget to Media Budget**
Texas	$30,875,113	$8,555,000	28%	$3,700,000	43%	$4,205,000	49%
Louisiana	**16,758,578**	**4,897,900**	**29%**	**1,700,000**	**35%**	**2,357,500**	**48%**
Average	**13,674,880**	**3,950,358**	**29%**	**1,323,266**	**34%**	**1,987,170**	**50%**
Mississippi	12,681,198	2,971,168	23%	540,000	18%	1,690,754	57%
Tennessee	12,052,200	3,446,442	29%	439,000	13%	2,626,432	76%
Arkansas	11,397,938	4,743,271	42%	1,729,776	37%	2,171,280	46%
Oklahoma	9,665,661	3,165,085	33%	1,547,595	49%	681,911	22%
Alabama	8,790,604	1,200,000	14%	300,000	25%	800,000	67%
Kentucky	7,117,800	2,624,000	37%	629,760	24%	1,364,480	52%

Source: Prepared by legislative auditor's staff using data from *1999-2000 Survey of U.S. State and Territory Tourism Offices*, February 2000, by Travel Industry Association of America. We did not audit these data.

Research Budgets. Louisiana's research budget is 72% above the regional average. However, when considering how much of the total tourism promotion budget is allocated to research, Louisiana is consistent with neighboring states. Louisiana dedicates 1.5% of its overall tourism promotion budget to research, while the regional average is 1.1%. Similar to most other tourism offices, LOT contracts with outside sources for its research. Conversely, Kentucky and Mississippi both conduct in-house research and have two of the lowest research budgets among the South Central Region states. Exhibit 15 shows the projected research budgets for the eight South Central Region states.

Exhibit 15

Projected Research Budgets for South Central Region States FY 2000

State (ranked by budget amount)	**Projected Research Budget**	**Percent Above/Below Average**	**Percent of Total Tourism Budget**
Texas	$300,000	105%	1%
Louisiana	**251,050**	**72%**	**2%**
Arkansas	210,000	44%	2%
Average	**146,213**		**1%**
Tennessee	138,650	-5%	1%
Oklahoma	125,000	-15%	1%
Alabama	82,000	-44%	.9%
Kentucky	50,000	-66%	.7%
Mississippi	13,000	-91%	.1%

Source: Prepared by legislative auditor's staff using data from *1999-2000 Survey of U.S. State and Territory Tourism Offices*, February 2000, by Travel Industry Association of America. We did not audit these data.

For every tourism promotion dollar spent, Louisiana receives less of an economic impact than the region

When compared to most neighboring states, Louisiana tourism generates a lower economic impact per budget dollar spent. According to data from the Travel Industry Association of America, for every dollar LOT spent in 1997 (the latest data available), an economic impact of about $459 was realized. However, the economic impact for every dollar spent by states within the South Central Region averaged about $674 or about 47% higher. In conducting this analysis, we observed that Texas' economic impact per budget dollar was more than one and one-half times greater than the regional average. Therefore, we recalculated the regional average excluding Texas. We found that even when excluding Texas, Louisiana's economic impact per budget dollar remained below the new average of $505 by 9%. Exhibit 16 shows the 1997 budget, economic impact, and calculated return per promotion dollar spent for the South Central Region states.

Exhibit 16
1997 Economic Impact Per $1.00 of Budget

State (ranked by economic impact per $1)	**1997 Budget**	**Economic Impact (in millions)**	**Economic Impact per $1.00 Spent**
Texas	$25,371,740	$29,247.5	$1,153
Kentucky	6,375,100	4,733.8	743
Tennessee	12,376,300	8,985.1	726
Average	**12,177,013**	**8,207.8**	**674**
Alabama	8,552,708	4,719.6	552
Louisiana	**15,960,725**	**7,328.0**	**459**
Oklahoma	7,729,281	3,505.3	454
Mississippi	10,506,301	3,806.2	362
Arkansas	10,543,950	3,337.3	317

Source: Prepared by legislative auditor's staff using data from the Travel Industry Association of America's *1999-2000 Survey of U.S. State and Territory Tourism Offices*, February 2000, and the *1997 Impact of Travel on State Economies*, November 1999. We did not audit these data.

Louisiana leads region in economic impact per capita

Among the eight states that comprise the South Central Region, Louisiana had the largest economic impact per capita in 1997. Louisiana's economic impact per capita was $1,676, which was 20% above the regional average of $1,400.

Louisiana, Tennessee, and Texas lead the South Central Region in economic impact per capita as shown in Exhibit 17. However, both Tennessee and Texas spend significantly less per capita than Louisiana on promoting tourism as shown in Exhibit 11 on page 21. For example, Tennessee had an economic impact of $9 billion and spent 43% less per capita on tourism promotion than Louisiana. Texas enjoyed an economic impact of $29 billion and spent 60% less per capita.

Exhibit 17
Economic Impact Per Capita for
South Central Region States
1997

State	Economic Impact Per Capita
Louisiana	**$1,676**
Tennessee	1,639
Texas	1,459
Average	**1,400**
Mississippi	1,375
Arkansas	1,308
Kentucky	1,195
Alabama	1,080
Oklahoma	1,044

Source: Prepared by legislative auditor's staff using data from U.S. Census Bureau's State Population Estimates, July 1999, and the *1997 Impact of Travel on State Economies,* November 1999, by Travel Industry Association of America. We did not audit these data.

Effectiveness of Marketing Campaign Through Mayer Contract

Determine the cost-effectiveness of LOT's marketing campaign for fiscal year 2000

We could not determine with certainty whether LOT's marketing campaign executed primarily through the Peter A. Mayer and Partners Advertising, Inc., is effective. Although three different studies were prepared, the results differ and the methodologies used may distort conclusions. We found that almost $180,000 was spent through the Mayer contract that may not be necessary. In addition, the Mayer contract does not include criteria for what constitutes an effective media buy or purchase. Thus, we found there is no way to determine the cost-effectiveness of some media buys. The contract with Mayer also allows Mayer to subcontract for professional services at LOT's request. However, Mayer is not sufficiently monitoring one of the services and the other service may go against state law. As a state agency, LOT is responsible for monitoring and evaluating all contracts with the agency. LOT should ensure the state is receiving value and all the services that are called for in the contract. Because LOT is spending public funds for the Mayer contract, LOT should ensure that the funds are being spent properly and effectively.

Recommendation 3: LOT should improve upon its methods used to monitor the cost-effectiveness of its marketing campaign through the Mayer contract. These improvements should address the weaknesses cited with each study and establish a verifiable link between the marketing campaign and the number of visitors to ensure that the state receives a good return on investment.

> **Management's Response:** Disagree. Currently, three separate, objective studies, conducted by qualified tourism experts, concur that the LOT's marketing program is cost-effective. These studies clearly address the question of marketing effectiveness and conclude, "Overall, tourism advertising is a good investment for Louisiana." (UNO Study). No objective, third party, or expert study is offered to refute the findings of any of the three independent expert studies nor is any evidence presented to support the assessment that they could not determine, with certainty, whether the marketing campaign is or is not effective. (See Appendix H for the full text of the department's response.)
>
> **Legislative Auditor's Additional Comments:** Our audit reviewed each study's final report. However, we identified some possible weaknesses with the methodologies used in these studies. We have included this area as an issue for further study should the legislature desire to do so.

Recommendation 4: LOT should restructure the Mayer contract to include the criteria that media buys must meet in order to ensure that cost-effective media are bought.

> **Management's Response:** Disagree. The contract in question is not the appropriate place for these issues. LOT and Mayer set objective, measurable criteria for media effectiveness. This is done, specifically and quantitatively, on an annual basis, but is done outside the contract in a more appropriate venue: The Annual Media Plan. The Annual Media

Plan includes quantitative criteria for media plan evaluation, such as inquiries, cost per inquiry, media reach and frequency, advertising recall, intent to visit, and positive opinion. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: We reviewed the media plan. The plan does not address sponsorships for Louisiana Travel Promotion Association (LTPA) (except the Christmas brochure) or the *Louisiana Life* editorials. In addition, the media plan is outside the contract and may not be legally binding.

Recommendation 5: LOT should review its sponsorship of all other Louisiana Travel Promotion Association brochures. The sponsorships that are duplicative should be discontinued.

Management's Response: Agree. We concur that LOT should review our sponsorship of certain LTPA brochures, but we do not agree with the assessment that our sponsorship is duplicative of the Louisiana Tour Guide. To agree with the statement that our funding is unnecessary and duplicative because many of the organizations mentioned in the brochures are also mentioned in the tour guide would be analogous to arguing that retail businesses have no need to advertise if they are listed in the Yellow Pages. The use of specialty brochures is a common practice of tourism offices throughout the United States. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: We do not dispute whether the LTPA should issue specialty guides or where the businesses should spend their advertising dollars. Through the Mayer contract, the department pays to have the front covers designed for LTPA's directories with no reimbursement from LTPA. The department also purchases ads on the back covers of these directories. With no promulgated rules or regulations for guidance, we could not determine whether this arrangement is appropriate. Also, there is no cooperative endeavor agreement between LOT and LTPA to partner on development of the guides. The guides are LTPA's publications.

Recommendation 6: LOT should ensure that Mayer is sufficiently monitoring its subcontracts, especially the Protocol contract, to ensure the state is receiving efficient and effective services.

Management's Response: Disagree. The Department's internal audit findings were used to conclude that Mayer had not properly managed the Protocol contract. When in fact, it was Mayer, acting on behalf of LOT, who identified the problems, initiated its own internal review, shared the findings with LOT and with LOT, requested a formal audit by CRT's internal auditor. The results of this audit led to a renegotiated contract between Mayer and Protocol in 2000 that addressed all of the concerns raised by Mayer and the internal auditor. This clearly demonstrates that Mayer is monitoring the contract effectively, and that LOT is monitoring the Mayer contract effectively. (See Appendix H for the full text of the department's response.)

Legislative Auditor's Additional Comments: At our January 4, 2001, exit conference, CRT's secretary informed us that Mayer had made him aware of problems with the inquiry fulfillment program. The internal audit, which was a joint effort between CRT's internal auditor and Mayer staff, began in late October 1999 and covered the eleven-month period January 1999 to November 1999--even though the contract with Protocol Communication, Inc., has been in effect since April 1995. The contract is between Mayer and Protocol; thus, it should have been Mayer's responsibility entirely (without CRT involvement) to investigate problems with the contractor, quantify these problems, and recoup any over-billings. In addition, had Mayer been properly monitoring the Protocol contract, it would have identified these problems much sooner. Furthermore, proper monitoring would have prevented the problems identified in the internal audit. It was not until after CRT's internal auditor issued the report dated January 14, 2000, that LOT and Mayer took any action to rectify the problems with the program.

Recommendation 7: LOT should review its editorials in *Louisiana Life* and advertisements placed with the Louisiana Association of Broadcasters and the Louisiana Press Association to see if they violate R.S. 51:1286 (C)(1)(c), which prohibits the use of sales tax proceeds for the purchase of in-state media.

Management's Response: Agree. LOT should review whether memberships in the Louisiana Association of Broadcasters and the Louisiana Press Association, as well as our agreement with Louisiana Life magazine are consistent with state law. It is suggested that the $180,000 spent on these projects was unnecessary and implies a waste of taxpayer dollars. We strongly believe that these relationships are consistent with state law and that the state receives exceptional value from these relationships, however, legislative direction may be required. (See Appendix H for the full text of the department's response.)

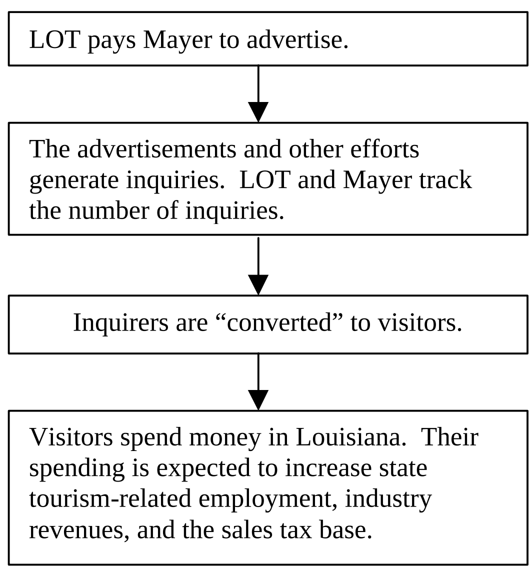
Legislative Auditor's Additional Comments: The nearly $180,000 in expenditures that we questioned does not include LOT's memberships with the Louisiana Association of Broadcasters and the Louisiana Press Association. It is composed of $18,667 for *Louisiana Life* editorials; $117,000 for inefficiencies with Protocol; and $43,000 for LTPA sponsorships.

Study results vary on LOT's marketing campaign effectiveness

Because the results from various studies of LOT's marketing campaign vary, we could not determine to what degree LOT's marketing campaign is or is not effective. According to LOT's *1999-2000 Louisiana Marketing Report*, LOT's primary objective is to maximize the advertising return on investment by generating qualified leads (inquiries) that can be converted into actual visitors to Louisiana. LOT contracts for various advertising effectiveness studies to monitor the results of its advertising and promotional campaign. According to one study, LOT's traditional (magazines and television) portion of its advertising campaign may not be as profitable because state sales taxes generated by travelers do not exceed the sales tax dollars spent on advertising. However, LOT and Mayer officials claim that increased use of the Internet has helped LOT more than offset decreased sales taxes resulting from the traditional advertising campaign. In addition, according to LOT officials, other studies indicate that the advertising campaign is cost-effective. We analyzed information from the conversion study and concluded that the traditional advertising campaign influences about half a million or 2% of the visitors to the state. Furthermore, some of the methods that LOT uses to measure its effectiveness have weaknesses that may distort conclusions.

As mentioned in the introduction, LOT spends a significant amount of money on its advertising campaign to help promote Louisiana. An overview of how tourism's funding of the Mayer contract is suppose to promote Louisiana to increase visitation is shown in Exhibit 18. Based on this view, increased visitation should lead to increased visitor spending that should in turn increase the tourism-related tax base, employment, and revenues for the tourism industry in Louisiana.

Exhibit 18
Influence of Traditional Marketing Campaign on Visitation



Source: Prepared by legislative auditor's staff from interviews and data that LOT and Mayer staff provided.

Costs Components of Mayer Contract. For FY 1998 through FY 2000, LOT spent an average $8.5 million of its sales tax dedication on the Mayer contract. The total payments include two basic components: (1) media campaign costs, and (2) non-media costs for Mayer's advertisement production, public relations and overhead.

The media campaign costs were about $5.9 million annually or 70% of the $8.5 million spent for FY 1998 through FY 2000. Media costs include the cost to insert advertisements in various types of media plus Mayer's commission (15%) associated with placing the advertisement. As shown in Appendix F, Mayer used eight to 10 different types of media to promote Louisiana to potential visitors over the three-year period. Appendix G shows a comparison between FY 1998 and FY 2000 costs.

The remaining $2.6 million (30%) is spent for non-media items that include the cost of producing the advertisements, public relations efforts, and for other overhead expenses.

LOT contracts and funds at least four studies to monitor its advertising effectiveness--conversion studies, Oakland Econometrics Analysis of LOT Advertising and Promotion, the Postwave Ad Tracking Survey, and monthly ad-tracking reports. In addition, Mayer, using a formula, estimates the public relations value of travel writers' articles about Louisiana.

Conversion studies. LOT annually contracts with the University of New Orleans (UNO), School of Hotel, Restaurant and Tourism Administration and the Division of Business and Economic Research. The contract is to produce studies for the spring and fall advertising campaigns to determine the rate at which inquirers convert to visitors as a result of magazine and television advertisements. The study also includes a special separate review to examine the rate at which Internet inquirers convert to visitors. These studies also present the ratio of sales taxes that visitors to Louisiana generate (i.e., economic impact) and other information. However, LOT does not report the conversion rate and ratio of taxes generated in its performance data in the executive budget.

The study provides two types of conversion rates as follows:

1. Gross Conversion Rate estimates the percentage of the population of inquirers who visited Louisiana in a certain year.

2. Adjusted Conversion Rate estimates the percentage of the population of inquirers who visited Louisiana in a certain year, who EITHER

   - Had not yet decided to visit or pass through the state before requesting travel information, but were influenced to do so by the information they received; OR

   - Had already decided to visit or travel in the state and extended their stay as a result of information they received.

   The conversion study report indicates that the more conservative "adjusted" conversion rate of inquiries shows a better (more relevant) impact of advertising efforts.

Although the conversion study has limitations on its use and reliability, the conversion rate appears to be one of the best indicators of LOT's advertising effectiveness currently available because it attempts to link the advertising campaign with visitation. Some of the conversion studies' limitations include:

- Results of conversion study are not accurately reported. LOT does not report the conversion rate in the executive budget as a performance indicator, but sometimes reports it in its other reports. The conversion rate appears in LOT's annual report to the legislature; however, we found that the conversion rate that appears in the annual report differs from the rates in the actual conversion studies. For example, the FY 1999 annual report showed a conversion rate of 56.7%, but the Spring 1999 Conversion study showed a "gross" conversion rate of 36.1% for magazine and television advertisements and 63.2% for the Internet. According to a LOT official, the 56.7% is the gross conversion rate for the Internet from the Spring 1998 study.

- Source data are overstated. The study acknowledges that the economic impact may be overestimated because of limitations in LOT's inquiry database. However, the study suggests the effect may be negligible. The conversion study indicates that the count of inquiries upon which the summary statistics are based is an overstatement of the true number of individuals who requested tourism information with the potential for visitation because of the following reasons:

  - The inquiry count includes residents of Louisiana, residents of foreign countries, travel agents, school libraries, and military servicemen. These groups were eliminated from the sample selection process but still included in the overall population.

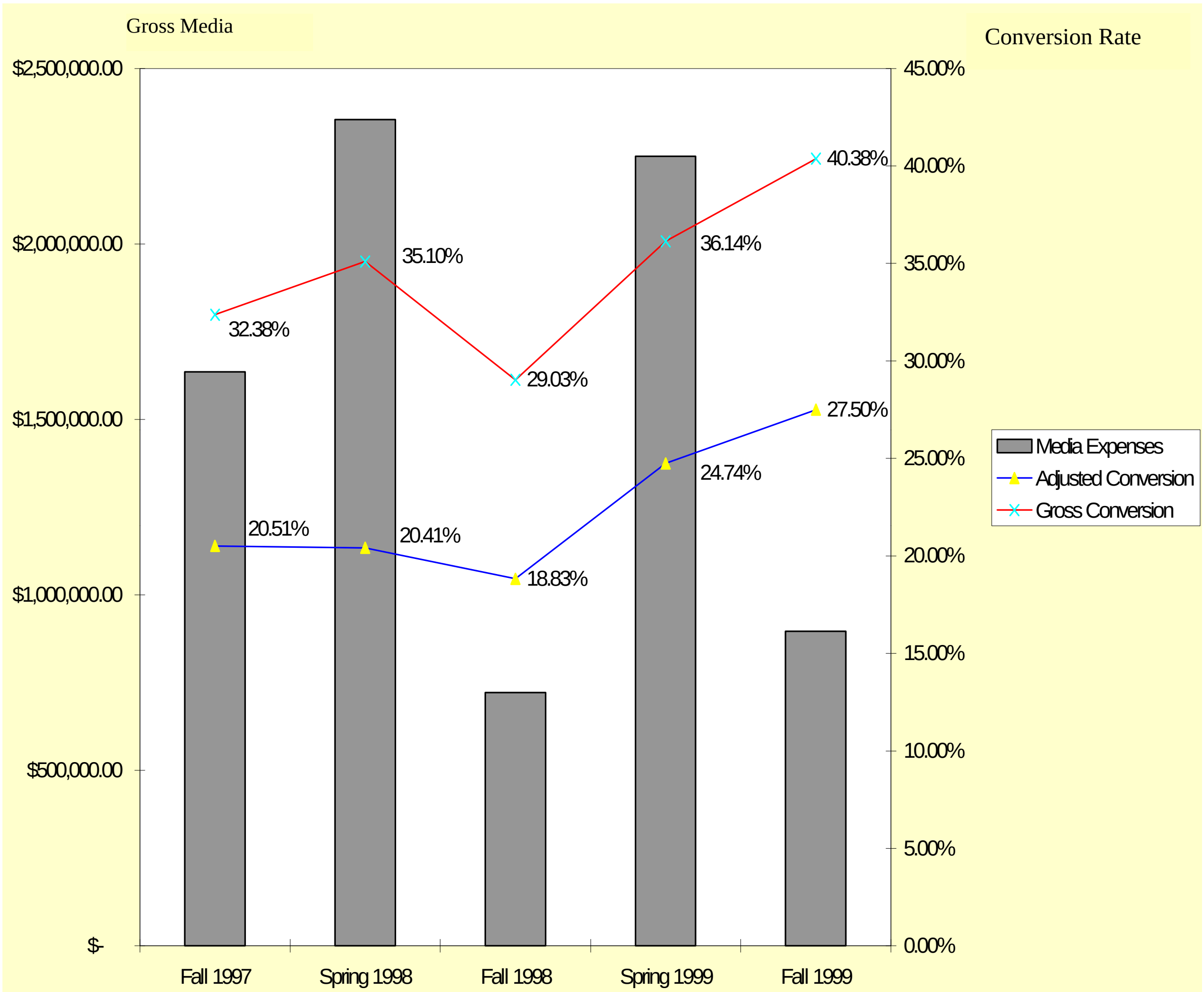
  - The inquiry count includes multiple requests for information that an individual may have made.

  - The inquiry count includes inquiries received for purposes other than requesting the LOT information packet, such as wrong numbers and hang-ups.

We analyzed the Fall 1997 through Fall 1999 conversion studies, relating to magazine and television advertisements, to determine how changes in each campaign's expenditures impact the conversion rate. A LOT official told us that LOT spends more on the Spring Campaign than on the Fall Campaign because Louisiana has more visitors in the spring and summer months than in the fall and winter months. However, as shown in Exhibit 19, we found that although each campaign's expenditures differ significantly the conversion rate does not. This suggests that conversion rates may not be affected by the amount spent on advertising.

In addition, we reviewed the results of the conversion study to see how LOT's efforts to promote the state impacted the sales taxes. The Fall 1999 conversion study concludes that the ratio of state sales taxes to ad costs has decreased steadily since 1997. Although visitor travel expenditures of $43 million resulting from the Fall 1999 advertising campaign represent a considerable economic benefit to the state, LOT and Mayer must evaluate the apparent lower profitability of magazine and television ad placements. The study also states that this measured economic impact does not include any tax revenues from travelers who used the Louisiana Web site as their source of travel information. As the use of the Internet grows, these inquiries must also be included.

Exhibit 19
Comparison of Gross Media Expenses and Conversion Rates
Fall 1997 Through Fall 1999



Source: Prepared by legislative auditor's staff from conversion study data and Mayer financial information.

Oakland Econometrics Analysis. According to LOT's *1999-2000 Louisiana Marketing Report*, at the request of the Legislative Fiscal Office, Oakland Econometrics conducts a complete analysis of all of LOT's research, promotion and advertising. LOT has contracted with Oakland Econometrics for this study for several years. The purpose of the study is to determine if the dedication of funds for tourism is worthwhile to the state and to determine the optimal level of funding. The study focuses on out-of-state tourism. The study is divided into three parts:

1. Macro-analysis - The study examines broad indicators of tourist activity, such as visitation, sales tax collections, and airport enplanements, over several prior years. This is to determine if such activity is consistent with the increase in promotion spending since the creation of the Louisiana Tourism Promotion District (i.e., the dedication of state sales tax for tourism). The study states that this part does not directly reflect the impact of LOT's advertising program but rather traces how the tourism industry has performed over the past several years. The latest study dated April 2000 concludes that all the aggregate industry indicators point to significant growth in out-of-state tourism since the creation of the Louisiana Tourism Promotion District. However, the study also points out that part of the recent upsurge in travel is undoubtedly due to the greater propensity to travel in general in the United States. Louisiana's growth, however, has outpaced that of its region.

2. Micro-analysis - The study initially cites several shortcomings to using conversion studies to judge the success of the promotional campaign as a whole. However, in the final analysis it acknowledges its usefulness because it is the "only direct source of micro data visitation effects of promotion campaigns." The study includes a comparison of the results of LOT's conversion studies with the calculated conversion rate needed for a promotional campaign to pay for itself. If the calculated rate is below LOT's rate, then it supports that the funding of promotional campaigns is cost-effective. The April 2000 study concludes that promotional funding is cost-effective whether success is measured by state tax revenues or earnings of Louisiana residents.

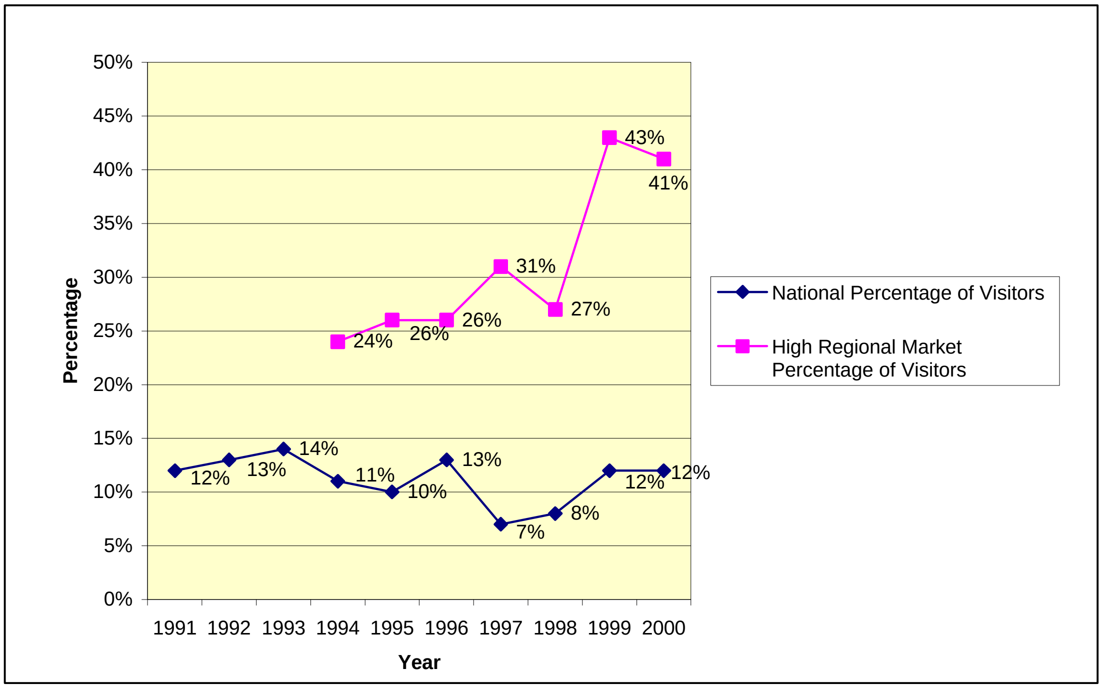
3. Forecasts of Key Tourists Indicators and Impacts to the year 2003 - Assists LOT in setting its performance standards, for planning and evaluating the process.

One LOT official told us this study was not used. However, the secretary and Mayer officials say that this study is relied upon to justify the effectiveness of the advertising campaign. During our review of this study, we had several questions in which a LOT official referred us to the contractor. For example, we asked why the study looks at earnings in tourist related industries, when the Travel Industry Association of America and executive budget indicators review travel expenditures. However, time did not permit an in-depth review of this study. Therefore, we have included this as an issue for further study.

2000 Postwave Ad Tracking Survey. Since 1991, LOT has contracted with a marketing firm in Norcross, Georgia, to conduct ad tracking surveys following each of the spring/summer advertising campaigns to measure and track advertising awareness. Eight hundred telephone surveys are conducted to measure ad recall, image, awareness, visitation, and intentions to travel to Louisiana and other selected states. Six hundred of the surveys are conducted in some of Louisiana's top regional visitor markets, such as Houston, Mobile, and Little Rock, or places where many visitors originate.

The study includes information as to the percentage of those surveyed who said they actually visited Louisiana within the last 12 months. In the 2000 survey, nationally, 12% said they visited Louisiana and in the highest regional markets 41% said they visited Louisiana. As shown in Exhibit 20, the national percentage of visitors to Louisiana has not changed significantly from 12% in 1991; however, for the highest regional markets, the percentage increased 71% from 24% in 1994 to 41% in 2000. This survey does not directly link this increase in visitation to the marketing campaign. For example, the survey does not ask the visitors if they visited Louisiana because of the advertisements they were exposed to.

Exhibit 20
Percentage of Visitors to Louisiana
2000 Postwave Ad Tracking Survey



Source: Prepared by legislative auditor's staff from 2000 Postwave Ad Tracking Survey.

Monthly Ad-Tracking Reports. Mayer uses a calculation known as the cost per inquiry (CPI) as one way to measure the cost-effectiveness of its advertisements. The CPI is calculated as follows:

$$\text{CPI} = \frac{\text{Net cost for advertisement placement}}{\text{Number of inquiries}}$$

As explained previously, LOT tracks the number of inquiries by tagging the print ad or commercial with a unique toll-free number and tracking code. The number of inquiries (including business reply cards and reader service) comes from LOT's

Consumer Inquiries Section and Protocol (formerly Anserphone). LSU's College of Business, Marketing Department compiles all the data from the inquiry sources to produce a monthly report known as the Monthly Ad-Tracking Report. In addition to providing the total number of inquiries, the report tracks the number of inquiries for each magazine, television station, or other media and calculates the cost per inquiry.

The report is beneficial because it tells LOT and Mayer how individual advertisements are performing. For example, in FY 2000, the report showed that only six inquiries were received for a first-time placement costing nearly $170,000 in advertisements on the "House of Blues Radio Hour" in February through May 2000. The CPI calculates to $28,333. According to Mayer officials, this media placement was effective because they used another type of measure for this particular advertisement that gives a cost per thousand exposures (CPM)[1] of $16. In addition, Mayer officials claim that Louisiana received much exposure throughout the United States during the 13-week sponsorship, including a sold out House of Blues concert held in Chicago, Illinois.

However, we found several weaknesses with inquiry tracking and reporting as follows:

- Inaccurate number of inquiries. As discussed in a previous section, until FY 2000 the number of inquiries included wrong numbers and hang-ups. This would overstate the number of inquiries and thereby lower the CPI, making it appear that the advertising efforts are more cost-effective. For example, total net cost of media, excluding the Internet, is $4.4 million in FY 2000. For the same period, the number of inquiries that included wrong numbers and hang-ups (excluding Internet inquiries) is 665,490. However, the number without wrong numbers and hang-ups is 561,524. Thus, the CPI increases from $6.68 to $7.92, or 19%.

- All costs not included. The CPI does not include Mayer's commission relating to the advertisement. As shown above, it only includes the net cost for advertisement placement. It excludes Mayer's 15% commission. If all the relevant costs were included in the calculation, the cost per inquiry would increase, and give a clearer picture of what it costs to generate each inquiry. Mayer and LOT officials say they only use the placement cost for the CPI to monitor the effectiveness of individual magazines and television spots.

- Certain media types not measured. Inquiries are not measured for two of the 10 types of media--international advertisements and sponsorships. As shown in Appendix F and Appendix G, spending on these types of media have increased significantly from FY 1998 through FY 2000. International media placement has consistently increased over the three-year period. Because there is no mechanism in place for measuring the

[1] CPM is one of the key measures in print and broadcast vehicles. It is the cost per 1000 people (or homes) delivered by a medium or media schedule.

results of international and sponsorship media, the effectiveness of these media is unknown. Mayer officials say the effectiveness of these types of media is tracked by the public relations value created rather than by cost per inquiry.

- Inquiries for certain advertisements are not tracked. However, these advertisements are included in media types in which the inquiries are normally tracked. For example, in our spot check of the FY 2000 Inquiry Tracking report, we found that inquiries were not tracked for advertisements placed in the *Carlson-Wagonlit Travel* magazine. In FY 2000, Mayer placed over $104,000 (including Mayer's commission) of advertisements in this magazine. Mayer staff said that inquiries were not tracked because the advertisements are designed to generate telephone calls to travel agents for the purpose of booking travel packages. This arrangement was included in a separate cooperative endeavor agreement between LOT and Carlson-Wagonlit, as described in Appendix D. We requested information from Carlson-Wagonlit Travel as to the number of packages sold. Mayer provided its estimate of the packages sold through Carlson-Wagonlit's Louisiana wholesalers as 288 through September 2000 that generated $130,173 in revenues. Mayer also informed us it used Carlson's airline activity report to project total business rather than just packages sold. Mayer estimated that Carlson delivered 59,767 visitors to Louisiana that generated $19,424,275 in revenues. However, not all of this can be attributed to the partnership with Carlson. Thus, there is little objective information on the actual performance of these advertisements.

- Internet inquiries are difficult to count. A LOT official has reported that they have struggled to reach a solid methodology for getting a reliable count for online inquiries through the Internet. Furthermore, he stated that it is now less accurate to try to calculate a CPI by media category because of the growing use of the Internet and not being able to tie each Internet inquiry to a specific media advertisement. Thus, LOT officials do not know if inquirers went to the Internet as a result of a magazine ad. We analyzed the impact of the Internet on the CPI as shown in Exhibit 21 and found that it makes a big difference in the CPI. Therefore, it is important that a solid methodology to measure inquiries through the Internet be found.

Exhibit 21

Comparison of Cost Per Inquiry Without Internet and With Internet FY 1998 Through FY 2000

Description	FY 1998	FY 1999	FY 2000
Costs and Inquiries Without Internet			
Total Media Net Costs	$4,947,241	$4,680,539	$4,447,521
Number of Inquiries	1,044,903	832,102	665,490
Cost per Inquiry	$4.73	$5.62	$6.68
Costs and Inquiries With Internet			
Total Media Net Costs	$5,085,699	$5,044,794	$5,038,314
Number of Inquiries	1,747,536	2,076,912	2,432,965
Cost per Inquiry	$2.91	$2.43	$2.07

Source: Prepared by legislative auditor's staff from the summary page of the Inquiry Tracking Report and Mayer's financial information.

Exhibit 21 also shows how the number of inquiries and CPI changes with changes in the type of media buys. For example, the CPI has increased (without including the Internet) in the three-year period because Mayer is placing more international advertisements, which do not generate inquiries, in place of domestic magazine advertisements, which do generate inquiries.

Mayer's Tracking of Public Relations Value. According to LOT and Mayer officials, public relations value created from the advertising campaign should be considered in assessing advertising effectiveness. Although a calculation is made for the value of a news article published about Louisiana, there is no way to determine its effectiveness of converting impressions to visitors and how much sales tax is generated. However, the conversion study and Postwave study found that magazine articles rank high as a source of information when choosing a travel destination. According to Mayer officials, a third party endorsement of an impartial newspaper, magazine, or broadcast writer typically equates to greater value than an advertisement that is paid for and controlled by the client (i.e., LOT). According to Mayer officials, they estimate the return on investments at 2 to 1 for each story generated through public relations for FY 1999, based on a formula.

Some of LOT's contracted studies and LOT and Mayer officials conclude that the marketing campaign is effective. However, according to the conversion study, the majority of visitors do not inquire before they visit Louisiana. According to a LOT official, friends' and relatives' opinions ("word of mouth") are the most prominent method people use to choose a travel destination. We found over the past three years, the average conversion rates show that approximately 23% to 37% of the average 2 million inquirers converted to actual visitors to the state. This means that approximately 460,000 to 740,000 people (about 2%) out of the 25 million visitors inquire because of LOT's advertising campaigns. This suggests that advertising efforts have a minimal effect on overall visitation numbers (25 million). However, LOT and Mayer officials say that other facets of their advertising campaign, such as public relations, entice visitors to Louisiana without inquiry.

Some media buys generate no inquiries

In FY 2000, Mayer purchased over $5 million of media buys for LOT. However, at least one type of media buy, sponsorships, does not qualify as an effective media buy for generating inquiries, according to Mayer officials. As mentioned previously, sponsorships do not generate inquires.

The Mayer contract states that the advertising agency will "assist in the phased execution of the Five Year Strategic Plan and execute a mass media campaign to promote the state as a travel destination." The contract, however, does not include criteria for what constitutes an effective media buy. Through the contract, Mayer is paid an hourly rate for production and/or a commission on cost for the media purchases and insertions. Because there is no requirement in the Mayer contract to purchase effective media or any identification of what an effective media buy is, LOT has spent nearly $300,000 on sponsorships that cannot be quantitatively proven as effective on increasing tourism.

According to Mayer officials, a media sponsorship is a purchase that promotes the image and awareness of Louisiana as a vacation destination, by attaching the Louisiana name to some special event, activity, or attraction. Sponsorships are not direct response media and typically do not have the potential to generate as many inquiries as traditional media. LOT and Mayer began including sponsorships in the media budget in FY 1999. Two of the more significant sponsorships include editorials in *Louisiana Life* magazine, which did not include a commission to Mayer, and LTPA publications, which do include a commission.

***Louisiana Life* Magazine Editorials**

According to our research, *Louisiana Life* is described as Louisiana's only statewide magazine whose target audience is people who love Louisiana. Each year, LOT pays the magazine through the Mayer contract to include quarterly editorials on Louisiana. Although Mayer includes it as a media buy in its database, there is no way to determine if the buy is cost-effective.

LOT splits the cost of the four quarterly editorials among the other offices of CRT. For example, LOT initially paid $112,000 for the editorials for FY 2000. However, at the end of the year, LOT charged back $93,333 to the other offices. Mayer does not charge commission for the media placement of these editorials.

In addition, we also found that the purchase of *Louisiana Life* editorials made from LOT's budget may not comply with state law, R.S. 15:1286, that prohibits in-state advertising. We found that the law does not clearly indicate what type of advertising it prohibits or if this would include "editorials." The editorials are clearly promoting tourism and the distribution of the magazine is primarily in Louisiana, according to documents received from LOT.

Louisiana Travel Promotion Association (LTPA) Sponsorships

LTPA, which is a non-profit organization that promotes travel to Louisiana, works in conjunction with LOT and Mayer to promote Louisiana tourism. Some of the advertisements that LOT buys from LTPA duplicate other LOT tourism promotion efforts that are already in place. Furthermore, LOT buys advertising space to help sponsor LTPA directories. According to the department secretary, these niche directories provide additional exposure for the state. As a result of this sponsorship, LOT has spent nearly $43,000 for media buys that cannot be quantified as having an effect on promoting tourism to Louisiana.

LOT supports LTPA's various specialty tourism directories by paying some of the directories' costs through the Mayer contract. These specialty directories include but are not limited to:

- Bed and Breakfast Directory (the Louisiana Bed and Breakfast Association)
- Christmas Directory
- Campgrounds Directory (the Louisiana Campground Owner's Association)
- Attractions Directory (the Louisiana Attractions Association)

The funding for these directories comes mainly from selling advertisement space. The association members also purchase advertisements in the directories. LOT buys ad space on the back cover and pays Mayer to design the front cover for each of the directories. According to LOT officials, LTPA would print these directories even if LOT did not support them. LOT officials also say that they support the directories to give LOT some ownership of the directories.

Exhibit 22 shows that LOT paid $22,100 to LTPA to insert ads on the back cover of these publications in FY 2000. In addition, LOT paid $20,790 to Mayer to produce and insert the ads. Therefore, LOT spent $42,890 for these sponsorships. LOT's ad insertion bore more than 54% of the cost of producing the Bed and Breakfast Directory. In addition, LOT paid Mayer a commission and its production costs, which ended up costing LOT $549 more than LTPA's total production cost.

Exhibit 22

LOT's Sponsorship of LTPA's Specialty Directories FY 2000

Directory Name	LTPA's Total Production Cost	LOT's Ad Insertion Cost	Percent of Total Costs	LOT's Production Costs and Commission Paid
Bed and Breakfast Directory	$16,000	$8,700	54%	$7,849
Attractions Directory	30,000	5,200	17%	4,134
Campgrounds Directory	14,000	5,200	37%	4,983
Christmas Directory	14,000	3,000	21%	3,824
Total	**$74,000**	**$22,100**	**30%**	**$20,790**

Source: Prepared by legislative auditor's staff using LOT contract files and OLA analysis of LOT contracts and Mayer invoices.

Specialty Guides Duplicate the Official *Louisiana Tour Guide*. LTPA also produces the official *Louisiana Tour Guide* through cooperative endeavor agreements with LOT and Mayer. It appears, however, after comparing the tour guide to each of the four LTPA specialty directories, that the tour guide includes most information that is in each specialty directory. Our review of one of the five sections of the state (Plantation Country, Baton Rouge area) that is included in the tour guide shows that 73 of the 76 (96.1%) listings in the individual directories can also be found in the tour guide as detailed below.

- Twenty-eight of the 29 (96.6%) bed and breakfasts mentioned in the Bed and Breakfast Directory can also be found in the tour guide.
- Twenty-five of the 26 (96.2%) attractions found in the Attractions Directory can also be found in the tour guide.
- Four out of 4 (100%) campgrounds found in the Campgrounds Directory can also be found in the tour guide.
- Sixteen out of 17 (94.1%) Christmas attractions found in the Christmas Directory can also be found in the tour guide.

The 2000 Tour Guide also contains most, if not all, vital information regarding bed and breakfasts, attractions, campgrounds, and Christmas events. In addition, according to LOT officials, the smaller individual directories are sent out with a tour guide whenever a request comes in for particular information. As a result, LOT could save $42,890 by discontinuing its purchase of the LTPA sponsorships.

Other services paid through Mayer contract questioned

The LOT contract with Mayer allows Mayer to subcontract out to obtain professional services as requested by LOT. As a result, at least $510,815 was paid through the Mayer contract for these services in FY 2000, which include the state's inquiry fulfillment service, Protocol (formerly Anserphone), and contracts with the Louisiana Association of Broadcasters (LAB) and the Louisiana Press Association (LPA). However, Mayer has not properly monitored the Protocol contract to ensure the state is receiving efficient and effective services. In addition, the contracts with LAB and LPA may violate state laws.

Protocol Contract With Mayer

In FY 2000, LOT spent $390,815 on telephone answering services through its contract with Mayer. Protocol, a company in Covington, handles LOT toll-free requests for tourism information. In addition to telephone answering services, Protocol also generates labels that go on the packets sent to inquirers, which result from incoming calls generated by the advertisements. Mayer maintains the contract with Protocol that provides a bank of telephone lines with corresponding ad-codes to track inquiries on certain advertisements. The calls are sorted and counted based on the unique 1-800 number dialed and can then be traced back to the advertisements that triggered the inquiry.

CRT's internal auditor conducted an internal audit of the Protocol contract from January 1999 to November 1999 and found that over $117,000 was spent on inefficient and ineffective services. Examples are as follows:

1. The internal auditor found that the contracted 800-usage rate of $0.20 per minute was never renegotiated, although in comparison, the state LINC (Louisiana Intercity Network Communication) rate is $0.08 per minute. In just 11 months, the 8-cent rate as opposed to the 20-cent rate would have resulted in a savings of $61,119 for the 11 months under review.

2. Overbilling of $1,094 was found on 54,711 minutes that were billed at $0.22 per minute rather than $0.20 per minute.

3. Only 60% of the incoming calls to Protocol actually resulted in a tourism packet being mailed out. Thirty-two percent of these incoming telephone calls were either hang-ups or wrong numbers.

   According to CRT's internal auditor, a major problem with Protocol is that LOT pays for calls that do not generate labels (hang-ups, wrong numbers, etc.). A preliminary estimate puts this amount at $64,000 annually, but this amount is probably much higher. However, without knowing how long callers are holding in the cue, it is impossible to pinpoint an exact amount.

For example, a campaign labeled “Hispanic” generated 2,918 calls--1,677 of those were wrong numbers and another 800 were hang-ups, which amounts to 85% of the total calls. Of the 2,918 calls, only 331, or 11%, of the total calls resulted in a label being generated. A campaign listed as “CAP 98 Fall Meetings and Conventions” received 1,166 calls, 578 of those were wrong numbers and another 392 were hang-ups, which is 83% of the calls for this campaign. Of the 1,166 calls, only 134 labels were generated, or 11%, of the total calls resulted in a label being generated.

As a Protocol representative stated, because the LOT account contains 1,100 toll-free numbers, which were always active, the potential for hang-ups, wrong numbers, and misdials is exponentially greater than that of a single 800 number.

4. Only 27% of the labels generated by Protocol came from the 800 numbers; the remaining 73% of these leads were generated by the business reply cards, which are sometimes included along with advertisements in magazines.

Because the contract for these services is between Mayer and Protocol, Mayer is responsible to ensure this contract is properly monitored. When Mayer does not properly monitor its subcontracts, the state is not receiving efficient and effective services.

Louisiana Association of Broadcasters (LAB)/ Louisiana Press Association (LPA) Contract With Mayer

LOT states in its *1999-2000 Louisiana Marketing Report* that the “Louisiana Association of Broadcasters (LAB) and Louisiana Press Association (LPA) members have agreed to place Louisiana Office of Tourism advertising within their media outlets as public service announcements.” The report further states that LAB and LPA “ads will be produced by Peter A. Mayer Advertising & Partners, LAB and LPA at no cost to taxpayers.” However, LOT has paid $120,000 ($5,000 each month to each entity) to LAB and LPA through the Mayer contract for FY 2000. This contractual arrangement with LAB may also be costing LOT more because some of the costs pertain to the other offices of CRT. However, LOT pays the entire amount. More importantly, the $120,000 LOT paid to LAB and LPA through the Mayer contract may violate state law.

R.S. 51:1286(C)(1)(c) prohibits the transfer of dedicated tourism funds to LOT for the purchase of in-state media advertisement. LOT and Mayer do not consider the LPA and LAB services to be media buys.

LAB and LPA distribute tourism news to their memberships through public service announcements and news releases. The memberships of both LAB and LPA are based in Louisiana. Mayer invoices LOT for the expenses, which are classified as contract services and not as media buys. Invoices sent to Mayer state that the monthly payments are due for “services rendered” in connection with LAB and for “tourism” in connection with LPA.

The relationship between LAB (television and radio broadcasters) and LOT has existed since 1979, before the enactment of the state law in 1990 that prohibits in-state media advertisement. LAB provides the following advertising and public relations services:

- Produces copies of LOT’s public service tourism spots and distributes the dubs to its member stations where they are aired. These include specific dubs for other CRT offices: State Parks, Libraries, Museums, Cultural Development, and Film and Video.

- Distributes news releases on LOT initiatives to its membership and provides LOT with a current broadcaster directory that helps LOT to communicate with Louisiana broadcasters.

- Encourages member stations to produce 15-second public service announcements promoting tourism in their area.

The relationship between LPA (newspapers) and LOT has existed since 1991, subsequent to enactment of the state law. LPA provides the following advertising and public relations services:

- Distributes public service tourism announcements, news releases, and calendars of events to its membership.

- Promotes LOT’s photo contest via production and placements of public service announcements and contest order forms in newspapers statewide.

In addition, according to Mayer staff, many of the LAB efforts to promote Louisiana tourism focus specifically on State Parks, Libraries, Museums, Cultural Development, and Film and Video. However, it is LOT alone that is responsible for paying for the LAB relationships. Other offices within CRT do not fund their share of the LAB expense.

As mentioned previously, LAB and LPA provide media placement of advertisements to LOT in the form of public service announcements. These ads are run exclusively within the State of Louisiana. Both LOT and Mayer officials acknowledged that the public service announcements would not have been placed by LAB and LPA without the funding provided by the state via the Mayer contract. Thus, it is reasonable to conclude that dedicated tourism funds, either directly or indirectly, are ultimately being used for in-state advertising that is prohibited by state law.

Effectiveness of Contracts Outside of Mayer Contract

Determine the cost-effectiveness of LOT's marketing campaign for fiscal year 2000

We could not determine if LOT's marketing efforts through contracts outside the Mayer contract are cost-effective. In addition, some contracts appear to duplicate the services received in other contracts. LOT does not have written internal procedures relating to contract administration. As a result, LOT failed to adequately monitor contracts and agreements and to perform post-evaluations of these contracts and agreements. Consequently, public funds are spent without a determination of the value received. Good contract administration procedures include the evaluation of the contract's cost-effectiveness as it relates to the effect on tourism. Good contract administration procedures would also help LOT to better determine which contracts are needed for future marketing campaigns.

In addition, we found two payments to contractors for services not included in the contract/agreement where LOT spent nearly $56,000 for receptions. LOT did not obtain proper approval from the Division of Administration for one of the events. Furthermore, it is unclear whether either event had any positive impact in promoting tourism for Louisiana.

Recommendation 8: LOT should develop clear, comprehensive, written policies on contract and agreement administration. These policies should govern how contracts and agreements are to be monitored by staff as they progress and how they are evaluated upon completion. The policies should cover all forms of contractual arrangements. These policies should comply with all guidelines set forth by the Office of Contractual Review (OCR) and also include additional policies designed by LOT. These additional LOT guidelines should be crafted to help it meet its internal goals.

- LOT should develop its own comprehensive "goals" form at the beginning of the contract/agreement and keep it in the LOT contract file. Upon the completion of the contract/agreement, the form will serve as a reminder of why the contract/agreement was entered into and assist the monitor in comparing results to the goals in order to properly evaluate performance. The "goals" form should explicitly address the intended effect on tourism.

- LOT should develop a more comprehensive performance evaluation. This evaluation should explicitly address the achievement of or failure to achieve the intended effect on tourism and the cost-effectiveness of the contract. LOT should make monitors aware that simple one-sentence comments are not acceptable and stress the importance of a more comprehensive and thoughtful approach to evaluating performance.

- LOT should better coordinate contract administration in order to eliminate duplicative and overlapping contracts.

Management's Response: Agree. While it should be noted that we strictly follow the state laws and Office of Contractual Review guidelines governing contracts, we agree that we need more controls internally. Explanation was given at the onset of this audit regarding our ongoing efforts to develop a set of contract policies and procedures. We acknowledge that more comprehensive guidelines are needed due to the unique nature of LOT contract. (See Appendix H for the full text of the department's response.)

Recommendation 9: LOT should require monitors to have a clear understanding of contract/agreement terms including the deliverables to be received, time frames for services to be provided, and intended effect on tourism in order to ensure the quality, timeliness, and effectiveness of the contracts they oversee. Clear knowledge of the contract/agreement terms will make it easier for the monitors to ensure the contractors strictly adhere to those terms.

Management's Response: Agree. This recommendation will be included in the policies and procedures being developed as stated above. (See Appendix H for the full text of the department's response.)

Recommendation 10: LOT should promulgate regulations, as specified in R.S. 51:1255 (20) and include how tourism proceeds will be used to promote Louisiana.

Management's Response: Disagree. This recommendation appears to suggest that we have formal written rules and procedures for all duties and functions. We believe the intent of R.S. 51:1255(20) is to adopt and promulgate rules only as needed to accomplish such functions. Requiring us to do so for each function would be inefficient and a waste of resources. (See Appendix H for the full text of the department's response.)

Recommendation 11: LOT should always ensure that special meal regulations are followed.

Management's Response: Agree. LOT makes every effort to ensure that special meal regulations are followed. LOT requests approximately one hundred exemptions from the state travel regulations each year. Given this volume, errors will occasionally occur, as pointed out in the audit. LOT takes this issue very seriously and works closely with the control agency to receive prior approval. (See Appendix H for the full text of the department's response.)

Matter for Legislative Consideration 3: The legislature may wish to require the Office of Contractual Review to extend its current contract guidelines to include cooperative endeavors.

Matter for Legislative Consideration 4: The legislature may wish to amend state law to require an assessment of the contract's cost-effectiveness in terms of measurable results and any other outcomes produced as a result of the contract.

LOT does limited contract performance evaluations

LOT's contract performance evaluations are not sufficient. State law requires that agencies prepare a final report for each professional or consulting contract. However, the agency only needs to submit the report to the Office of Contractual Review (OCR) for those contracts that exceed the agency's delegated authority. This report should include an evaluation on contract performance and an assessment of the utility of the final product. We also found that LOT often did not prepare performance evaluations when required. Without an adequately prepared evaluation of contract performance, there is no accountability for the dollars spent to acquire the service. In addition, CRT has not established formal written policies and procedures to control contract administration for its offices. Without such procedures, management is not ensuring that state laws and regulations are being followed.

We examined 31 contracts/agreements as listed in Appendix D. We discovered that a number of performance evaluations were either missing or never prepared. LOT staff were not able to locate performance evaluations for 16 contracts/agreements where such evaluations were required. LOT contract monitors prepared evaluations for five of these contract/agreement evaluations after we requested them to aid us in our assessment of performance.

There were 11 contracts/agreements that did include the required performance evaluation. However, we found they were not useful for assessing contract performance. OCR sets forth general issues to be addressed in performance evaluations but does not elaborate on the extent to which the issues shall be discussed by the agency. Most of the LOT evaluations provided very little detail of performance.

For example, in an evaluation of an ongoing contract with Essence Festivals, Inc., the monitor wrote, "No problems - would contract again" under the heading "Overall Performance." Similarly, in a performance evaluation of a contract with Mississippi River Country, USA, the contract monitor wrote, " In spite of chronic delays in invoicing, and a history of non-responsiveness by the contractor, their overall performance was acceptable, and we would choose to contract with them again."

OCR provides a list of the minimum requirements for an adequate performance evaluation. Neither the LOT contract performance evaluation form nor OCR's sample performance evaluation form specifically requires an assessment of a contract's cost-effectiveness in terms of measurable results and any other outcomes produced as a result of the contract. Although state law does not require this assessment, information relating to cost-effectiveness is essential in determining the real value created by a contract. Without this assessment, it is difficult to determine whether the contracts were justifiable. Regardless of the quality of deliverables provided by the contractor, the contract is not useful if those deliverables are not relevant to LOT's overall objective.

State laws that require performance evaluations do not apply to cooperative agreements, according to an OCR official. These agreements accounted for 17 of the 31 contractual arrangements we reviewed. However, good management controls require that CRT develop clear, comprehensive written policies and procedures for contract administration. CRT's undersecretary told us that the Office of Management and Finance (OMF) has not completed its formal policies and procedures for contract/agreement administration. There are only informally established procedures for contracts and cooperative endeavors. If the same policies and standards were to apply to all types of contractual arrangements, it would enable consistent management controls.

Clearly written comprehensive policies and procedures would result in uniformity in the evaluation process across all types of contracts and agreements, eliminate confusion about what is required of contract monitors, and increase the comparability and quality of the performance evaluations. As a result of these formal procedures, LOT would be able to develop standards that would help LOT officials assess the usefulness, utility, and cost-effectiveness of each contract and agreement.

Not all contract terms were fulfilled

LOT did not always monitor the contracts to ensure consistency between contract terms and deliverables. Furthermore, not all contract deliverables and/or final reports were received from the contractor before the final payment was made. State law and good management controls require that contract monitors periodically review reports and other performance information to ensure contract terms are being met.

Contract performance for eight completed contracts/agreements only partially complied with all contract terms. There were four instances in which LOT officials either could not produce deliverables which they were to have received from the contractor or could not verify that a contractor actually conducted a required activity. The following two examples describe the missing deliverables.

- In the GWETA (a public broadcasting station in Washington, D.C.) contract for The Jazz Film Project, LOT paid $166,667 in FY 2000 ($1 million to be paid in total) to help pay production costs for a documentary on jazz that was shown on the Public Broadcasting Service. As part of its responsibilities, the contractor was to solicit bids for services, materials, and other expenses required in creating the documentary and maintain a procurement file. The LOT contract monitor was unaware of this provision and could not provide any information that would indicate that LOT ensured that the contractor is conducting these activities.

- LOT entered into a contract with the Louisiana Sea Grant College Program for $43,985. As part of its obligation, the contractor was to perform secondary research and provide written reports on six topics. According to a LOT official, at some point during the contract term, there was an informal verbal agreement between LOT and the contractor to substitute new topics for three of the original topics set forth in the contract. However, these deliverables were changed without execution of a supplemental agreement to the contract, as the contract terms required. Thus, the contract was paid in full, but some of the original deliverables listed in the contract were not received, but others were provided.

In the other four contracts, the contractor was to provide a final report on the effectiveness of the contract but simply failed to do so. The two examples below describe contracts in which contract terms relating to reporting were not completed.

- A contract with Louisiana Travel Promotion Association (LTPA) for promotional activities requires a comprehensive final report outlining the effectiveness of the endeavor. The promotional activities include a conference for the Louisiana Bed and Breakfast Association, representing Louisiana in tourism shows, and distribution of materials in Canada. The contractor was paid the contract amount of $35,833 without providing the report to LOT. Without the report, it is not possible to determine the contract's impact on tourism.

- Essence Festivals, Inc., agreed to hold the Essence Musical Festival exclusively in New Orleans for a three-year period, starting in 1999. The contractor also agreed to promote Louisiana and New Orleans during the festival. The contractor agreed to provide written reports at least biannually concerning the use of funds and the specific goals and objectives for the use of the funds. Although $33,333 was paid to the contractor for FY 2000, none of the required reports were provided to LOT. In the absence of the reports, LOT has little information from the contractor concerning the use of the funds.

One of LOT's most important contracts showed several deficiencies related to monitoring

Although LOT is responsible for monitoring the tour guide contract, very little is done to ensure that LOT gets the lowest possible price. The contract specifies that LTPA should provide various deliverables and/or performance information in addition to the finished tour guides. However, LOT has not ensured that all of these deliverables and/or performance information have been received. Thus, not all of the contract terms have been completely followed. When contracts are not adequately monitored to ensure that contract terms are followed, the best interest of the state is not served.

In addition, LOT does not monitor the process for the tour guide production in a manner to ensure that the best interest of the state is served. As a result, LOT paid $19,100 more than it should have paid for the guide.

LOT contracts with LTPA to produce its annual tour guide. Before this arrangement, both LOT and LTPA produced separate and competing tour guides, which in LOT's opinion, limited the effectiveness of its marketing efforts. Therefore, in 1993, LOT partnered with LTPA to produce the 1994 official *Louisiana Tour Guide*. LTPA agreed to sell advertising space in the guide, which would reduce LOT's purchasing costs of the guide.

During our review of the LTPA tour guide contract against the deliverables, we found several contract terms were not completed as listed below.

- **LOT did not receive the monthly sales report.** Although the contract calls for LTPA to submit monthly sales reports of the advertisement dollars collected, only one report was submitted to LOT at the project's completion. Because LOT received only one copy of the report, it was unable to periodically check where the advertisement sales were and possibly forecast how much the guide might cost the state.
- **LOT has not benefited from the sales target level clause.** The contract sets the target advertisement revenue level for LTPA at $790,000, which allows the state to purchase one million guides for no more than $561,000 (in FY 2000, LOT paid only $510,000 for the tour guide). If LTPA's advertising revenues exceed $790,000, then 75% of that excess will be given back to the state to offset the cost of the guides. According to LTPA officials, they have never exceeded $790,000 in advertisement sales for the tour guide and sales are actually down for the 2001 Tour Guide. LTPA officials said that the $790,000 advertisement revenue benchmark was based on what LTPA had done in the past with its separate tour guide, the 1994 ad sales, and what the economy could handle. However, because this advertisement goal has never been reached, LOT might consider changing the contract to reflect a lower advertisement revenue benchmark, which would offset more costs for the state.

In addition, we identified overlapping services among LOT, LTPA, and Mayer that suggest LOT is not closely monitoring the tour guide's production process or its costs for obtaining the tour guide. Under "Scope of Services," the contract states that LTPA is responsible for hiring and compensating a professional design firm **to coordinate and manage** all editorial design and production aspects of the tour guide. LTPA uses Mayer to design most of the artwork and advertisements that go into the tour guide. In addition, the contract states that all billings and administrative functions relating to the sales and management of the advertising and final production of the tour guide will be the responsibility of LTPA.

Based on these terms, LOT is only responsible for purchasing the completed tour guides. However, LOT paid Mayer a fee of $4,635 for tour guide management for the 2000 Tour Guide in addition to the $510,000 LOT paid to LTPA for the tour guides. Exhibit 23 summarizes these payments. According to the contract, this management fee should probably be included in the cost of the tour guides and not also paid by LOT. In addition to these costs, LOT buys the back cover of the tour guide for over $12,000 and pays Mayer a $2,170 commission.

According to Mayer officials, the job of tour guide management is a distinct job that is not duplicative of other Mayer and LTPA functions. However, Mayer could not provide us with any proof to alter this issue.

Exhibit 23

Cost of the 2000 Tour Guide to LOT
FY 2000

LOT's Cost to Purchase One Million Tour Guides	Additional LOT Payments to Mayer Relating to the Tour Guide		LOT's Total Costs Relating to the Tour Guide
↓	Tour guide management	$4,635	↓
	Back cover ad insertion costs	12,295	
	Mayer's ad insertion commission	2,170	
$510,000	**plus**	**$19,100**	**$529,100**

Source: Prepared by legislative auditor's staff using the LTPA contract and Mayer invoices.

Contracted services may not serve to maximize visitation and visitor spending

For 19 contracts and agreements, we could not determine if the intended effect on tourism had been achieved by the end of the contract term. In these cases, LOT appeared to assume that because the service was provided, more visitors will come to Louisiana and generate more revenue for the state. LOT officials point to macro indicators such as an increasing trend in economic impact as proof that the intended effect on tourism is being accomplished. However, macro indicators help evaluate the "big picture"; they do not aid in assessing the contribution made by each individual component of LOT's marketing campaign. These components include individual contracts.

LOT rarely performed any post-contract research to determine if the contracted service played an effective role in helping achieve LOT's goal of maximizing visitation and increasing visitor spending. If LOT cannot determine that a contracted service has a positive impact on tourism, it is very possible that public funds are not being put to the best possible use. State law and regulations require the agency to certify to OCR that there are methods in place to be used to measure and determine contract performance.

The following examples show where LOT spent over $600,000, but the effect on tourism was not measured or researched.

In the first example, LOT entered into an agreement with Destination Marketing Services, a division of Carlson Travel Group, Inc., for FY 1999 and FY 2000. Through this agreement, LOT paid a $100,000 fee and spent an additional $580,000 on media buys to leverage the business relationships and extensive network of Carlson Travel agencies located throughout the United States. In return, Carlson agreed to hold its 1999 annual meeting in New Orleans, which would provide additional exposure for Louisiana. The contractor provided a preliminary report that estimated the economic impact of the annual meeting held in New Orleans was $1,896,400 and the value of Louisiana travel packages sold through its member agents was $483,288. However, there was only limited evidence that LOT attempted to verify the reliability of the estimates. Perhaps most importantly, it does not appear that LOT made any attempt to determine the impact that this endeavor had on tourism in relation to the amount spent on the contract. Rather, it appears that LOT simply confirmed receipt of the report and filed the information away.

In the second example, the contracted services did not produce the intended effect on tourism. LOT entered into a $20,074 contract with the University of Southwestern Louisiana of which $10,038 was payable in FY 2000. The purpose was to provide research on the Bed and Breakfast industry. LOT intended to use the research findings to determine the most appropriate ways to market the Bed and Breakfast segment of the travel industry of Louisiana.

Ultimately, LOT was disappointed by the lack of participation of the Bed and Breakfast guests and industry members and the quality of the research performed. As a result, the findings were not used to help LOT design its marketing campaign and, therefore, did not increase visitation or generate more tourism revenue for the state. Even if the research had been useful and reliable, it is unclear how this research would fit into LOT's marketing plan, which currently focuses on the music of Louisiana.

Jazz film project contract differs from other sponsorships

It is unclear how LOT's contract with GWETA and The Jazz Film Project, Inc., for $1 million is within the statutory authority of the office. R.S. 51:1255(4) directs the Office of Tourism to promote and assist in the expansion of tourism in Louisiana and to conduct an ongoing promotional campaign of information, advertising, and publicity to create and sustain an image and understanding of Louisiana that is responsible and accurate. However, the office has never promulgated rules and regulations as required by R.S. 51:1255(20) that will clearly describe how LOT should promote tourism.

In 1998, LOT agreed to pay GWETA and The Jazz Film Project, Inc., $1 million of which $166,667 was paid during FY 2000. The purpose of the contract is to share in the expense of a film production on the history of jazz to be shown on the Public

Broadcasting Service (PBS). The series aired in January 2001. After reviewing the contract, we determined that the contract may not have been very cost-effective for a number of reasons.

First, there are 10 episodes in the series. The only significant exposure that Louisiana received occurred in the first episode. According to LOT officials and other information, the setting for this first episode is New Orleans. However, the synopses for the other nine episodes indicate very little additional mention of Louisiana in the series. LOT officials believe that a great deal of additional exposure will result from a link to CRT's LouisianaTravel.com Web site from the PBS Web site home page. They also contend that numerous tourism inquiries will result from business reply card inserts contained in videocassette packages being offered for sale to the public.

Second, because of PBS restrictions on advertising, LOT will not be able to show its Louisiana tourism hotline number on the screen for more than five seconds and cannot use a tagline that includes a "call to action" during the underwriting credits. For example, LOT could not include a phrase that directly invited the viewer to visit Louisiana. However, the most restrictive aspect of the arrangements is that PBS will only allocate 60 seconds of total underwriting credit time to be divided among 13 different underwriters, including LOT. General Motors is the largest contributor to the project and will receive 15 seconds of this time according to documents found in the LOT contract file. This leaves only 45 seconds to be divided among the remaining 12 underwriters. LOT will receive eight seconds of this remaining time to promote Louisiana. The eight-second credit will be shown at the beginning and end of each episode.

Finally, this project would probably have been completed without the $1,000,000 contribution from LOT and still have featured New Orleans in the first episode in order to be historically correct. A LOT official stated that he felt it was important that LOT participate in order to ensure that the image of Louisiana was portrayed in the right way. However, there is no evidence that LOT actually had much control over how the project was conducted.

Some contracts almost exclusively benefit New Orleans

Six of the 31 contracts/agreements we reviewed were most beneficial to New Orleans. State laws provide that LOT promote Louisiana as a place to visit. LOT has not promulgated any regulations as required in state law. Any regulations promulgated should address how tourism funds should be distributed. Because the benefits relating to these six contracts were so narrowly dispersed, the entire state may not be benefiting.

Exhibit 24 summarizes these contracts/agreements and describes how these focus more on promoting New Orleans than other areas of the state. Exhibit 24 illustrates that $849,249 was spent on contracts/agreements in which the New Orleans area was the beneficiary of most of the services provided. This represents 36% of the total spent on all contracts/agreements, excluding the Mayer contract. Without regulations to specify how tourism funds should be allocated, different areas of the state may benefit more from tourism funds than others.

Exhibit 24

Contracts Primarily Benefiting New Orleans Area FY 2000

Contract/Agreement	FYE 2000 Payment	Purpose
New Orleans Metropolitan Convention and Visitors Bureau, Inc.	$300,000	Leverage international marketing expertise and experienced personnel to provide greater and broader marketing opportunities for Louisiana. Sub-contractors promoted New Orleans almost exclusively.
GWETA and The Jazz Film Project, Inc.	166,666	Production of PBS documentary on the history of jazz. One of ten episodes is about New Orleans.
Essence Festivals, Inc.	*33,333	Production of Essence Festival to be held in New Orleans.
Weichmann Tourism Services	14,250	Expand and maximize the visibility of Louisiana as a travel destination among German media and travel industry. Activities emphasized New Orleans.
Greater New Orleans Educational Television Foundation	*35,000	Production of PBS broadcast on Preservation Hall Jazz Band in New Orleans.
Greater New Orleans Sports Foundation	**300,000	Implementation of the 1999 BASS Masters Classic Fishing Tournament in New Orleans area.
TOTAL	**$849,249**	

*****Although LOT processed these contracts/agreements, payment was actually made out of Act 1423 funds, which were established for economic development in the New Orleans area.

******The Office of the Secretary paid $30,000 out of Act 1423 funds for this contract and LOT paid $270,000.

Source: Prepared by legislative auditor's staff using information obtained from ISIS and LOT contract files.

Many contracts/agreements provide similar services

Fifteen of the 31 contracts/agreements appear to duplicate or overlap other contracts/agreements or LOT functions. Duplicative contracts/agreements are two or more contracts/agreements that conduct identical activities leading to the accomplishment of the same goal. Overlapping contracts/agreements are two or more contracts/agreements that conduct partially the same activities leading to the accomplishment of the same goal.

State law encourages the elimination of duplicative efforts in the operation and management of state government. LOT does not sufficiently plan contracts to ensure that duplication or overlap does not exist. When contracts are not planned properly, it increases the risk of duplication of effort. If tourism contracts are duplicative or overlap each other, state funds are not being used wisely.

We found 10 of 15 duplicative contracts/agreements pertain to international and Canadian marketing and are discussed later in this section. The other five contracts/agreements relate to sponsorships, visitor information fulfillment, research, domestic promotion, and other services. Two examples of such contracts/agreements follow.

- LOT paid $3,125 in FY 2000 to Skinner & Stipe, L.L.P. to handle various civil legal matters. LOT also paid $15,000 to the Attorney General's Office for legal services. Documentation at LOT showed that the deputy secretary established the attorney general to be technically competent and available at a reasonable rate of compensation. Using the attorney general, which LOT has already paid for, would have resulted in a $3,125 savings to LOT.

- LOT paid the Louisiana Travel Promotion Association $35,833 in FY 2000 to coordinate a variety of activities promoting the state. These activities include assistance in a conference for the Louisiana Bed and Breakfast Association, represent Louisiana in tourism shows, and distribute Louisiana tourism literature in Quebec, Canada. The services provided under the contract overlap some of the functions of the LOT marketing specialists on staff and some of the purposes of the Canadian contracts. In addition, the contract is duplicative in the sense that LTPA would likely have performed the services without LOT funding since some of these services benefit its membership.

LOT's international contracts and agreements are duplicative and overlapping

LOT spent over $856,000 in FY 2000 on international contracts. Over 453,000 international visitors visited Louisiana in 1999. Exhibit 25 illustrates the total number of international visitors to Louisiana by country, how much LOT spent on promotion in each country, and the cost per visitor.

Exhibit 25

Comparison of International Promotion Contract Amounts and Visitor Data FY 2000

Country	Visitors to Louisiana 1999	Percentage of Total Visitors	Amount LOT Spent on Contract	Percentage of Total Spent	Estimated Cost per Visitor
Japan	19,000	4.2%	$15,986	1.9%	$.84
United Kingdom	68,000	15.0%	70,799	8.3%	1.04
Germany*	67,000	14.8%	79,569	9.3%	1.19
France	46,000	10.1%	122,526	14.3%	2.66
Brazil	11,000	2.4%	73,733	8.6%	6.70
Italy	9,000	2.0%	37,500	4.4%	4.17
Mexico**	110,000	24.2%	43,594	5.1%	.40
Australia	20,000	4.4%	748	0.1%	.04
Canada	103,900	22.9%	412,297	48.1%	3.97
Total	**453,900**	**100%**	**$856,752**	**100%**	**$1.89**

*Germany includes the Netherlands and Switzerland visitation and spending for simplicity.

**Mexico visitation figures to Louisiana are an estimate from LOT.

Source: Prepared by legislative auditor's staff from data provided by LOT staff and data located in the LOT contract and vendor files.

For certain countries, LOT's contracts with international representatives may duplicate efforts of similar international contracts. Appendix D includes a list of the contracts/agreements with the international representatives. LOT does not appear to adequately plan its international activities so as to eliminate the need for multiple contracts in the same country.

For example, LOT spent $412,297 for Canadian promotions through various contractors. The New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB) represents Louisiana in five countries at a cost of $300,000 in FY 2000. In addition, LOT contracts with three other entities--Express Conseil Limited, Weichmann Tourism Services, and Travel South that use the same international representatives as the New Orleans Metropolitan Convention and Visitors Bureau contract. Overall, LOT has four other contracts that cost $90,221 in FY 2000 for promoting Louisiana in the same countries.

Through the New Orleans Metropolitan Convention and Visitors Bureau contract, LOT spent over $64,000 promoting Louisiana in France. LOT also pays over $58,000 to the same contractor in another contract to promote Louisiana in France. Thus, LOT spent $122,000 to promote Louisiana in France through the same contractor, but one contract was direct and the other was indirect. Exhibit 26 outlines where LOT spent funds to promote Louisiana internationally.

Exhibit 26

Countries Where LOT Spent Funds for International Promotion FY 2000

Country	NOMCVB[1]	Travel South[2]	Mississippi River Country[3]	Express Conseil Limited	Weichmann Tourism Services	Total of Extra Contracts[4]	Total for Each Country
France	$64,220			$58,306		$58,306	$122,526
Germany	65,319				$14,250	14,250	79,569
Brazil	62,618	$11,115				11,115	73,733
United Kingdom	64,589	5,700	$510			6,210	70,799
Mexico	43,254		340			340	43,594
Total	**$300,000**	**$16,815**	**$850**	**$58,306**	**$14,250**	**$90,221**	**$390,221**

[1]New Orleans Metropolitan Convention and Visitors Bureau.

[2]Another $1,000 was paid on this contract for an international trade show held in the United States. In addition, $15,000 was spent for promotion in Japan. See Appendix D.

[3]Mississippi River Country spent another $748 in Australia and $986 in Japan.

[4]The $90,221 represents the total of overlapping funds between the four extra contracts and the NOMCVB contract.

Source: Prepared by legislative auditor's staff from data provided by LOT staff and data from LOT contract and vendor files.

Our analysis found that the five contracts for international promotion services, (NOMCVB and four others) are performing similar functions, such as attending the same trade shows, press/public relations, and sales missions. For example, the Express Conseil Limited May 2000 Activity Report submitted to LOT was almost identical to the New Orleans Metropolitan Convention and Visitors Bureau May 2000 Activity Report submitted to LOT for promotion activities in France. According to the CRT secretary, these additional contracts provided additional services not included in the NOMCVB contract.

Mississippi River Country, USA is a cooperative international marketing program guided by the tourism directors of the ten Mississippi River states to internationally market the tourism attractions of the central United States. LOT actually spent $12,500 on the Mississippi River Country contract. According to its budget, approximately $2,500 was for domestic promotion. The remaining $10,000 was for international promotion. However, according to the contractor's budget, only a small portion of the $10,000 was actually used for international promotion as follows:

- $6,600 (66%) is for the contractor's administrative expenses.
- $816 (8%) is budgeted for an international trade show and familiarization tour held in the United States.

- $2,584 (26%) is left for promotion in the international countries. The amount for each country, shown in Exhibit 26, was prorated based on the budgeted amounts.

According to LOT staff, if activities were planned better at the beginning of the fiscal year, the extra contracts and agreements would not be necessary. LOT staff stated that the activities could be incorporated into the existing New Orleans Metropolitan Convention and Visitors Bureau contract and monitored by both the bureaus' staff and LOT's international marketing specialists. We found that LOT's $300,000 payment is 60% of the $500,000 contract that the New Orleans Metropolitan Convention and Visitors Bureau has with these representatives. Therefore, the state could use this relationship to influence the contract contents.

In addition, staff in LOT stated that the extra contracts represent LOT's effort to get away from using the New Orleans Metropolitan Convention and Visitors Bureau contract as a "middle-man" and work directly with the international representatives to represent Louisiana. However, other staff members in LOT say this would be a mistake because the New Orleans Metropolitan Convention and Visitors Bureau contract has the manpower to monitor the contracts better than LOT.

In addition to the international efforts mentioned above, LOT has multiple contracts that promote Louisiana in Canada. In FY 2000, LOT had five contracts that cost $412,297 to perform similar activities to attract Canadians to Louisiana. Two contracts were with public relations firms and three contracts related to festival sponsorships or representation. Four of these contracts promoted Louisiana in the Province of Quebec and one contract in the Province of Ontario. Exhibit 27 lists the contracts, the amount spent, the Province represented, and the activity.

Exhibit 27

Canadian Promotional Funds Spent by Contract
FY 2000

Contractor	Amount	Province	Activity
Communications A La Carte	$58,558	Quebec	Public relations
Discover The World Marketing[1]	38,210	Ontario	Public relations
Nathalie Dantin	1,000	Quebec	Festival representative
Montreal Jazz Festival[2]	280,529	Quebec	Festival sponsorship
Tremblant Resort Association	34,000	Quebec	Festival sponsorship
Total	**$412,297**		

[1] Discover The World Marketing also spent $37,500 in Italy.

[2] The Office of the Secretary paid $40,000 of this contract with Act 1423 funds.

Source: Prepared by legislative auditor's staff from the data provided by LOT staff and data located in the LOT contract and vendor files.

However, LOT's staff says that all of the Canadian contracts are necessary and are not duplicative or overlapping. For example, Tremblant Resort Association and Le Festival International de Jazz de Montreal contracts are made directly with the festivals as partnerships, on recommendations from the foreign representatives. In addition, Communications A la Carte handles the Province of Quebec and Discover the World Marketing handles the Province of Ontario. Discover the World Marketing also has an office in Quebec, but LOT had the contract with Communications A la Carte first and was pleased with its performance. Conversely, Communications A la Carte does not have an office in Ontario. Finally, LOT staff reported that the Nathalie Dantin contract was necessary because LOT's in-house international marketing specialists could not attend the festival because of prior engagements. In addition, the Communications A la Carte representative could not attend because she was not required to under contract, and time did not allow for an amendment to be filed. Therefore, according to LOT staff, the extra contract with Nathalie Dantin was necessary.

Payments made outside of contracts questioned

We found several instances where LOT made additional payments to contractors for services not included in the contracts. For two of these it is questionable whether these activities will increase tourism to Louisiana. One instance involves an expense that may not comply with state regulations. In the other instance, we could not determine if the activity paid for was consistent with LOT's mission of promoting tourism.

Policy and Procedure Memorandum (PPM) 49 of the Louisiana Administrative Code sets forth state travel regulations. It includes regulations governing reimbursements for special meals. According to these regulations, reimbursement for special meals is "designed for those occasions when, as a matter of extraordinary courtesy or necessity, it is appropriate and in the best interest of the state to use public funds for provision of a meal to a person who is not otherwise eligible for such reimbursement and where reimbursement is not available from another source." The regulations further state that "all special meals must have prior approval from the commissioner of administration in order to be reimbursed." Finally, the regulations prohibit reimbursement for alcoholic beverages without the commissioner of administration's specific approval.

LOT spent $53,181 for a reception during the Travel South, Inc., Showcase trade show held in Charleston, South Carolina, on January 12, 2000. According to the invoice, 650 tourism industry participants attended the reception. LOT paid $47 per person for food ($30,550) and $15 per person for alcoholic beverages ($9,750). In addition, LOT paid over $1,000 for chefs and bartenders and a 20% gratuity of over $8,000. Copies of the invoice and menu for the event are shown in Exhibits 28 and 29, respectively.

Although there was evidence that the commissioner of administration gave LOT approval to exceed PPM 49 guidelines for lodging in Charleston for LOT officials, no such approval was found in the LOT contract file for the reception. An assistant commissioner at the Division of Administration told us that the event would definitely require approval as a special meal under PPM 49. He stated that LOT has requested special approval for similar events in the past. His office later confirmed that it had no record of such a request relating to this particular event. However, the Division of Administration did provide LOT with blanket approval for the purchase of alcoholic beverages during FY 2000.

In the second instance, LOT paid $2,750 (an average of $275 per person) to purchase a table for ten at a tourism industry "Unity Dinner" on November 19, 1999, in Washington, D.C. The attendees were to be chosen by the department secretary. There is no indication that this event had any meaningful positive impact in promoting Louisiana tourism.

Exhibit 28
Invoice for Travel South Reception Held in Charleston, South Carolina, January 12, 2000

CONVENTION Charleston Place

Banquet Check #	41596		
Group Name:	Travel South	Date	01/12/00
FEO #	41596	Cover Code	HR
Brkfst Gtd	0	Brkfst actual	0
Lunch Gtd	0	Lunch Actual	0
Dinner Gtd	0	Dinner Actual	0
Recp Gtd	650	Recp Actual	0

Louisiana Hosted

FOOD

0	Coffee Break	@	$0.00	=	$0.00
0	Continental Bfst	@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
0	Breakfast	@	$0.00	=	$0.00
0	Lunch	@	$0.00	=	$0.00
0	Dinner	@	$0.00	=	$0.00
650	Reception	@	$47.00	=	$30,550.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
	Food Sub Total				$30,550.00

BEVERAGE

0	Cocktails	@	$0.00	=	$0.00
0	Cocktails	@	$0.00	=	$0.00
0	Cocktails	@	$0.00	=	$0.00
650	Per person	@	$15.00	=	$9,750.00
0	Dom Beer	@	$0.00	=	$0.00
0	Imp Beer	@	$0.00	=	$0.00
0	Glass Wine	@	$0.00	=	$0.00
0	Sodas	@	$0.00	=	$0.00
0	Min Water	@	$0.00	=	$0.00
0	Cordails	@	$0.00	=	$0.00
0	Cordails	@	$0.00	=	$0.00
0	Cordails	@	$0.00	=	$0.00
	Total				$9,750.00
	Wine / Champagne type				
0		@	$0.00	=	$0.00
0		@	$0.00	=	$0.00
0		@	$0.00	=	$0.00
0		@	$0.00	=	$0.00
0		@	$0.00	=	$0.00
0		@	$0.00	=	$0.00
0		@	$0.00	=	$0.00
	Bev Sub Total				$9,750.00

Miscellaneous

0	Flowers	@	$0.00	=	$0.00
0	Phones	@	$0.00	=	$0.00
0	Copies	@	$0.00	=	$0.00
0	Room Rental	@	$0.00	=	$0.00
0	Elect Chrg	@	$0.00	=	$0.00
8	Chefs	@	$75.00	=	$600.00
6	Bartenders	@	$75.00	=	$450.00
0	Cashiers	@	$0.00	=	$0.00
0	Entertainment	@	$0.00	=	$0.00
		@	$0.00	=	$0.00
		@	$0.00	=	$0.00
	Misc Sub Total				$1,050.00

Guest Name

Guest Signature

******Total Charges********

Method of payment	
S&P	
Cash	
Credit Card	
Master Acct#	541251
Food Sub Total	$30,550.00
Bev Sub Total	$9,750.00
20 % Service	$8,060.00
Misc Sub Total	$1,050.00
8% Tax F&B ONLY	$3,224.00
6% TAX ALL MISC & SERV CHRG	$546.60
Total Charges	$53,180.60

Source: Prepared by legislative auditor's staff using document from LOT files.

Exhibit 29
Menu for Travel South Reception Held in Charleston, South Carolina, January 12, 2000

Charleston Place Hotel
An Orient - Express Property
205 Meeting Street
Charleston, SC 29401
(843) 724-8410
Fax (843) 722-6952

BEO #: 41596
Page: 1 of 1
Created: 12/15/99

Group:	Travel South USA	Event Date:	Wednesday, January 12, 2000
Post As:	Travel South	Contact:	Ms. Liz Doyle
BEO Name:	Reception	Phone:	404-231-1790
Address:	3400 Peachtree Road, NE Suite 725 Atlanta, GA 30326	Fax:	404-231-2364
		On-Site:	Ms. Mary Perreult
		Phone:	225-342-9149
		Fax:	225-342-3207
Deposit:		Service Mgr:	Geno Matesi
Billing Information:	Direct Bill	CPE Mgr:	J. Mitchell Crosby

Date	Time	Room	Event Name	Function	Set-up	Ppl	Rental
Jan 12, 2000	9:15 AM - 6:45 PM	Grand Ballroom		SET	RD8	600	$0
Jan 12, 2000	7:30 PM - 10:30 PM	Grand Ballroom	Louisiana Hosted Reception	RECP	RD8	650	$0

Menu

Room: Grand Ballroom
Serve: 7:30 PM to 10:30 PM

Gala Reception

COOKED TO ORDER ACTION STATIONS

$75 Chef's Fee per Station

Louisiana Gulf Shrimp Tchefuncte
Tender Gulf Shrimp Sauteed with Mushroomsand Scallions in a Creole Meuniere Sauce. Served with Lousiana Popcorn Rice

Cajun Country Crawfish Cakes
with a Roasted Tomato-Jalapeno Tarter Sauce

ELEGANTLY DISPLAYED BUFFET

Plantation Country Creole Jambalaya
with Pork, Andouille and Chicken

Sportsman's Paradise Blackened Des Almond Catfish
touched with Crystal Hot Sauce Butter and Cayenne Corn Hush Puppies

Crossroads Cochon
on Grilled Onion Bread and Finished with Caramelized Shallots and Foie Gras Butter

Pasta New Orleans with Shrimp, Andouille and Penne Pasta in a Creole Mustard Cream

DISPLAYED DESSERTS

White Chocolate Bread Pudding, Pecan Squares, Lemon Bars and Banana Beignets with Foster Sauce

$47.00++ Per person

Beverage

Room: Grand Ballroom
Serve: 7:30 PM to 10:30 PM

OPEN BAR

Call Brand Liquors
Imported Beer
Domestic Beer
House Varietal Wine
Assorted Soft Drinks and Mineral Waters
Non-Alcoholic Beer

$15.00++ Per person

# of Bars: 5
Bartender Fee: $ 375.00

Room Setup

Room: Grand Ballroom
Event: 7:30 PM to 10:30 PM

Rounds of 8
Set 16'x30' Stage
Decor to be provided by house of blues
Easel
Staff to Wear House of Blues T-Shirts Provided by Client
Diagram to be determined

All A/V Costs to be determined by Presentation Services.

Other

Source: Prepared by legislative auditor's staff using document from LOT files.

Appendix A

Audit Scope and Methodology

Appendix A: Audit Scope and Methodology

Overview. This performance audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We followed applicable generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

We concentrated our efforts on the Louisiana Office of Tourism (LOT), specifically the Marketing Program. Our audit covers the fiscal year ending June 30, 2000. However, our trend analysis also included the previous two fiscal years (FYE 1998 and FYE 1999). Our basic approach involved gathering, reviewing, and analyzing information relating to the tourism function. To obtain an understanding of the tourism function, we gathered and reviewed various background and descriptive data. These data included state laws and regulations; the executive budget; the agency's budget request; agency and tourism related audits, research, and studies; and information relating to tourism practices and procedures in other states. We also reviewed more specific LOT data including the FY 2000 master plan and marketing report, the FY 1999 annual report (latest available), and current tourism information provided to inquirers.

We also interviewed various officials with the Department of Culture, Recreation and Tourism (CRT) and Office of Tourism to familiarize ourselves with LOT's operations. In addition, we observed meetings of the Louisiana Tourism Promotion District and the Louisiana Tourism Development Commission at Cypress Bend Resort in Many, Louisiana.

Validity of LOT's Performance Indicators. We gathered, reviewed, and analyzed the various sources of information used to report LOT's performance data in the 1999-2000 executive budget and other required reports. This information included various research reports from the Travel Industry Association of America (TIA) and the University of New Orleans Conversion studies. We also interviewed LOT's research director and budget officials from CRT - Office of Management and Finance and the Division of Administration - Office of Planning and Budget relating to the validity of the performance data. In addition, we contacted TIA staff relating to our questions concerning the TIA research reports.

Comparison of Louisiana to other South Central Region States. We reviewed and analyzed information in the TIA *1999-2000 Survey of U.S. State and Territory Tourism Offices* issued in February 2000. In addition, we contacted tourism officials in Alabama, Arkansas, Kentucky, Mississippi, Oklahoma, Tennessee, and Texas to obtain additional information relating to their promotional efforts. We also attended the South Central states – Travel and Tourism Conference in Hattiesburg, Mississippi.

Cost-effectiveness of LOT's FYE 2000 Marketing Campaign. Our work focused on the Mayer contract for the advertising campaign and the other contracts and agreements for other tourism promotional efforts. For the Mayer contract, we reviewed and analyzed the contract, the partners' Agreement to Cooperate Regarding Louisiana Tourism Account, and the request for proposal. We also interviewed LOT officials, staff with Peter A. Mayer Advertising and Partners, the Louisiana Travel Promotion Association (LTPA), and Protocol (formerly Anserphone in Covington, LA). These interviews provided us an understanding of the contract terms, monitoring of ad effectiveness, the process for placing ads and pulling ads, and LOT's interaction with the Protocol and LTPA.

In addition, we obtained access to Mayer's databases of billings sent to LOT for payments relating to the contract. We analyzed these databases to compare media costs to conversion rates and to analyze media costs by type of media. We also selected payments from the databases to examine. We ensured that the Mayer database agreed to the state's financial records by reviewing the Office of Management and Finance's reconciliation.

We judgmentally selected 31 of the 43 (72%) other tourism contracts and agreements for the FY 2000 to conduct a detailed review of each contract/agreement's cost-effectiveness. We selected these contracts/agreements based on the dollar amount and specific questions we had from our cursory review of all the contracts and agreements. Each of the 31 contracts was reviewed to determine the following:

- Type of service acquired (i.e., promotion, research, etc).
- Amount paid during the FYE 2000
- Was the contract overpaid
- Deliverables and/or performance data available to review relating to the contract
- If LOT had conducted a performance evaluation of the contract and the quality of such evaluation
- If the contractor's deliverables and/or performance reports were consistent with the contract terms
- If the intended effect on tourism was achieved
- If the contract provided more benefits to particular segments of tourism or the state
- If the contract could be duplicative or overlap with other LOT contracts and/or LOT staff functions
- If the contract is cost-effective
- Other issues that came to our attention relating to the specific contract

<u>Other Work Performed</u>

We performed various other procedures that we considered necessary to address the audit objectives. These other procedures included data collection, interviews, analyses, and comparisons.

Appendix B

State Sales Tax Dedications to Local Government Entities
Fiscal Year 2000

Appendix B: State Sales Tax Dedications to Local Government Entities FYE 2000

Revised Statute	Name of Entity	Amount
47:302.22	Acadia Parish Visitor Enterprise Fund	$65,500
47:302.21	Ascension Parish Visitor Enterprise Fund	406,000
47:302.6	Avoyelles Parish Visitor Enterprise Fund	158,350
47:302.14	Calcasieu Visitor Enterprise Fund	430,000
47:302.25, 322.12, 332.31	Cameron Parish Tourism Development Fund	38,000
47:302.39	DeSoto Parish Visitor Enterprise Fund	82,500
47:302.32	East Carroll Parish Visitor Enterprise Fund	11,200
47:302.47	East Feliciana Tourist Commission Fund	5,600
Act 1025 of 1999 Regular Session	Evangeline Parish Visitor Enterprise Fund	5,000
47:302.34	Franklin Parish Visitor Enterprise Fund	21,438
47:302.13	Iberia Parish Tourist Commission Fund	156,000
47:332.18	Iberville Parish Visitor Enterprise Fund	6,500
47:302.35	Jackson Parish Economic Development and Tourism Fund	4,000
47:322.34, 332.1	Jefferson Parish Convention Center Fund	1,745,000
47:322.34	Jefferson Parish Convention Center Fund - Gretna Tourist Commission Enterprise Account	161,000
47:322.34	Jefferson Parish Convention Center Fund - Grand Isle Tourist Commission Enterprise Account	107,200
47:302.38	Jefferson Davis Parish Visitor Enterprise Fund	100,100
47:322.28	Lafayette Parish Visitor Enterprise Fund	1,724,642
47:302.19	Lafourche Parish Enterprise Fund	100,000
47:322.33	Lincoln Parish Municipalities Fund	95,000
47:302.8	Lincoln Parish Visitor Enterprise Fund	200,000
47:302.41, 322.21, 332.36	Livingston Parish Tourism Improvement Fund	100,000
47:302.4	Madison Parish Visitor Enterprise Fund	96,000
47:302.9	Morehouse Parish Visitor Enterprise Fund	80,000
47:302.10	Natchitoches Historic District Development Fund	130,000
47:302.10	Natchitoches Parish Visitor Enterprise Fund	42,000
47:332.10	New Orleans Metro Convention and Visitors Bureau Fund	5,883,016

Revised Statute	Name of Entity	Amount
47:322.38	New Orleans Area Tourism and Economic Development Fund	$11,160,000
47:302.7	Ouachita Parish Visitor Enterprise Fund	833,000
47:302.40	Plaquemines Parish Visitor Enterprise Fund	179,300
47:302.28	Pointe Coupee Parish Visitor Enterprise Fund	10,000
47:302.30, 322.32	Rapides Parish Economic Development Fund	341,000
47:302.30	Alexandria/Pineville Area Tourism Fund	148,900
47:302.30, 322.32	Pineville Economic Development Fund	144,500
Act 121 of 1999 Regular Session	Red River Visitor Enterprise Fund	6,000
47:302.4	Richland Parish Visitor Enterprise Fund	114,000
47:302.37	Sabine Parish Tourism Improvement Fund	39,700
47:332.22	St. Bernard Parish Enterprise Fund	55,000
47:302.11	St. Charles Parish Enterprise Fund	98,700
47:322.15	River Parishes Convention, Tourist, and Visitors Community Fund	50,000
47:322.30	Shreveport-Bossier City Visitor Enterprise Fund	750,000
47:332.15	St. Helena Parish Tourist Commission Fund	8,000
47:332.20	St. Landry Parish Historical Development Fund #1	50,000
47:302.27	St. Martin Parish Enterprise Fund	39,000
47:302.44	St. Mary Parish Visitor Enterprise Fund	365,000
47:302.26	St. Tammany Parish Tourist Commission Fund	850,000
47:302.17	Tangipahoa Parish Tourist Commission Fund	339,836
47:302.20	Houma/Terrebonne Tourist Fund	323,600
47:322.24	Terrebonne Parish Visitor Enterprise Fund	189,750
47:302.43	Union Parish Visitor Enterprise Fund	16,000
47:302.23	Vermilion Parish Visitor Enterprise Fund	10,700
47:332.8	Washington Parish Tourist Commission Fund	15,000
47:302.15	Webster Parish Convention and Visitors Bureau Fund	118,400
47:322.19	West Baton Rouge Parish Visitor Enterprise Fund	450,000
47:302.46	St. Francisville Economic Development Fund	100,000
47:302.16, 322.16, 332.33	Winn Parish Tourism Fund	21,000
TOTAL		**$28,780,432**

Source: Prepared by legislative auditor’s staff using the 1999-2000 Appropriations Act (Act 10) data.

Appendix C

Summary of Mayer Contract Expenditures for Fiscal Year 2000

Appendix C: Summary of Mayer Contract Expenditures for Fiscal Year 2000

Type of Service	Amount LOT Paid
Media	
Magazine	$1,118,871
Trade	342,564
International	985,766
Magazine - cooperative advertising	746,481
Sponsorships	200,080
Newspaper - cooperative advertising	91,853
Broadcast	1,334,770
Direct mail	42,382
Multicultural	242,517
Interactive	695,051
Media total	**$5,800,335**
Production	
Print and collateral production	$169,355
Print supervision project management	48,666
Marketing	57,338
Video dubs	8,303
Broadcast production	433,214
Print media production	222,760
Production project management	78,324
Partnerships	38,113
Partnerships project management	87,660
Research project management	88,709
Magazine cooperative advertising	57,590
Cooperative advertising project management	55,636
Newspaper cooperative advertising	22,989
New millenium cooperative advertising (Internet)	86,669
Web administration	40,256
Miscellaneous	41,895
Production total	**$1,537,477**

Type of Service	Amount LOT Paid
Public Relations	
Media relations	$138,698
Special projects	270,870
Multi-cultural marketing	127,621
Miscellaneous	57,795
Public relations total	**$594,984**
Other	
Anserphone (now Protocol)	$390,395
Inquiry/fulfillment management	19,935
Printing	5,183
Mayer and partners staff travel	68,131
Other total	**$483,644**
Grand total	**$8,416,440**
Source: Prepared by legislative auditor's staff from LOT and Mayer's financial information.	

Appendix D

Other Promotional Contracts and Agreements Reviewed for Fiscal Year 2000

Appendix D: Other Promotional Contracts and Agreements Reviewed for Fiscal Year 2000

	Contractor	Type of Agreement	Type of Service	Amount Paid FYE 2000 by LOT	Amount Paid FYE 2000 by Office of Secretary	Contract Amount
1.	Communications A La Carte	Contract	Canadian promotion through a public relations representative in Quebec	$58,558	$0	$58,558
2.	Nathalie Dantin	Contract	Represent Louisiana at Canadian Festival International des Arts Traditionnel de Quebec	1,000	0	1,000
3.	Destination Marketing Services c/o Carlson Travel Group	Cooperative Endeavor	Domestic promotion through partnership with Carlson-Wagonlit	50,000	0	100,000
4.	Discover the World of Marketing, Inc.	Contract	‣ Canadian promotion through a public relations representative in Ontario ‣ International promotion in Italy	75,710	0	87,085
5.	Doorway to Louisiana	Cooperative Endeavor	Welcome center on Louisiana-Arkansas state line	25,000	0	50,000
6.	Essence Festivals, Inc.	Cooperative Endeavor	Marketing activities to maximize African-American visitation	0	*33,333	100,000
7.	Express Conseil Limited	Contract	International promotion in France and Belgium	58,306	0	58,000
8.	Suzanne Ferrara of Baton Rouge	Contract	Production of Louisiana tourism marketing video for self-promotion of LOT	4,000	**2,000	6,000

Note: Some contracts are for multiple years; therefore, contract amount may be larger than amount paid.

	Contractor	Type of Agreement	Type of Service	Amount Paid FYE 2000 by LOT	Amount Paid FYE 2000 by Office of Secretary	Contract Amount
9.	Greater New Orleans Educational Television Foundation	Cooperative Endeavor	Promotional activities relating to production of Public Broadcasting Service (PBS) program on jazz	$0	*$35,000	$70,000
10.	Greater New Orleans Sports Foundation	Cooperative Endeavor	Sponsorship of B.A.S.S. Classic Tournament at Bayou Segnette in 1999	270,000	*30,000	300,000
11.	GWETA and The Jazz Film Project, Inc.	Cooperative Endeavor	Ken Burns jazz video project for PBS	166,666	0	1,000,000
12.	Lafayette Convention and Visitors Commission	Cooperative Endeavor	Host annual meeting of Canadian travel writers to promote Lafayette and surrounding areas	7,390	0	10,000
13.	Le Festival International de Jazz de Montreal	Cooperative Endeavor	Canadian promotion through sponsorship of the Montreal Jazz Festival in 1999	240,529	*40,000	***290,529
14.	Louisiana Sea Grant College Program, LSU	Contract	Secondary research on the tourism industry	43,985	0	43,985
15.	Louisiana Travel Promotion Association	Cooperative Endeavor	Purchase of official tour guide for visitor information and fulfillment	510,000	0	561,000
16.	Louisiana Travel Promotion Association	Cooperative Endeavor	Promotional activities such as: ▸ Conference for Louisiana Bed and Breakfast Association ▸ Representative for Louisiana in tourism shows ▸ Distribute material in Canada	35,833	0	40,000
17.	The Marketing Workshop, Inc.	Contract	Focus group sessions	25,800	0	25,800

Note: Some contracts are for multiple years; therefore, contract amount may be larger than amount paid.

	Contractor	Type of Agreement	Type of Service	Amount Paid FYE 2000 by LOT	Amount Paid FYE 2000 by Office of Secretary	Contract Amount
18.	Mississippi River Country, USA	Cooperative Endeavor	International promotion in the United Kingdom, Mexico, Australia, and Japan and some domestic promotion	$12,500	$0	$12,500
19.	Mississippi River Cycling and Hiking Corridor Corporation	Cooperative Endeavor	Marketing and route information for Mississippi River Trail as part of the federal National Millennium Trails program	10,000	10,000	50,000
20.	City of Natchitoches	Cooperative Endeavor	Annual Christmas festival	24,015	0	25,000
21.	New Orleans Metropolitan Convention and Visitors Bureau, Inc.	Cooperative Endeavor	Maintenance of five international offices in France, Germany, Brazil, the United Kingdom, and Mexico	300,000	0	300,000
22.	Prison Enterprises	Interagency Agreement	Prepare mailouts of visitor information and inquiry fulfillment	56,936	0	195,000
23.	City of Shreveport	Cooperative Endeavor	FrancoFête promotional ad during Miss Teen USA Pageant 1999	25,000	0	25,000
24.	Skinner & Stipe	Contract	Legal services	3,125	0	12,000
25.	Travel Industry Association of America	Contract	Oversee data collection for National Family Opinion Poll Research Project	21,700	0	21,700
26.	Travel South, Inc.	Cooperative Endeavor	‣ International promotion in Brazil, the United Kingdom, and Japan ‣ International U.S. trade show	32,815	0	33,515
27.	Tremblant Festival Association	Cooperative Endeavor	Canadian promotion as a sponsor of the festival at Mount Tremblant Resort	34,000	0	34,000
28.	University of New Orleans	Contract	Conduct three annual conversion studies	49,184	0	49,184

Note: Some contracts are for multiple years; therefore, contract amount may be larger than amount paid.

	Contractor	Type of Agreement	Type of Service	Amount Paid FYE 2000 by LOT	Amount Paid FYE 2000 by Office of Secretary	Contract Amount
29.	University of Southwestern Louisiana	Contract	Research bed and breakfast industry in Louisiana	$10,038	$0	$20,074
30.	Vari Market Research	Contract	Focus group sessions to determine African-Americans' views of Louisiana	0	*30,000	30,000
31.	Wiechmann Tourism Services	Contract	International promotion in Germany	14,250	0	15,000
Total				**$2,166,340**	**$180,333**	**$3,624,930**

*****These payments were made from Act 1423 funds in the Office of the Secretary.

******This contract was partially funded with FrancoFête funds in the Office of the Secretary.

*******The remaining $10,000 was paid by the Baton Rouge and Alexandria Convention and Visitors' Bureaus ($5,000 each).

Source: Prepared by legislative auditor's staff based on a review of 31 LOT contracts and other agreements.

Note: Some contracts are for multiple years; therefore, contract amount may be larger than amount paid.

Appendix E

Visitor/Tourist Definitions for the South Central Region States

Appendix E: Visitor/Tourist Definitions for the South Central Region States

Visitor/Tourist Definitions for the South Central Region			
State	**Visitor/Tourist**	**State**	**Visitor/Tourist**
Alabama	People not residing in the area under study who travel away from home overnight in paid accommodations or on a day trip of 200 round-trip miles or more and visit the	Mississippi	A person who travels round-trip over 100 miles for business, leisure, or passing through.
Arkansas	Person traveling 100 miles or more one-way and/or spending at least one night away from his point of origin. Excludes crew members, student travel, military personnel on active duty, and commuting to/from work.	Oklahoma	Use an economic-activity criterion based on traveler's activities. One who engages in certain travel and tourism activities regardless of how far he travels, whether he crosses the state border, or whether he stays overnight.
Kentucky	Tourism is the practice of people traveling outside their home communities to engage in activities which are not part of their regular routine.	Tennessee	People not residing in the area under study who travel away from home overnight in paid accommodations or on a day trip of 200 round-trip miles or more and visit the area.
Louisiana	People not residing in the area under study who travel away from home overnight in paid accommodations or on a day trip of 200 round-trip miles or more and visit the area.	Texas	Two categories of visitor includes Texan and non-Texan. A trip is either a day trip of a minimum of 50 miles one-way or any overnight travel away from home.

Source: Prepared by legislative auditor's staff from data provided by Travel Industry Association of America as well as officials from individual state tourism offices in the South Central Region.

Appendix F

Summary of Media Costs for Mayer Contract Fiscal Year 1998 Through Fiscal Year 2000

Appendix F: Summary of Media Costs for Mayer Contract FY 1998 Through FY 2000

		FY 1997-1998		FY 1998-1999		FY 1999-2000	
Media Type		**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**
Magazine - Domestic Print	Fall	$944,408	$1,098,149	$380,941	$442,987	$434,129	$510,770
	Spring	627,524	729,679	1,005,734	1,169,458	516,887	608,102
		1,571,932	**1,827,828**	**1,386,675**	**1,612,445**	**951,016**	**1,118,872**
Trade - Domestic	Fall	136,817	159,090	374,177	435,089	135,386	159,277
	Spring	152,852	177,735	70,042	81,444	155,793	183,286
		289,669	**336,825**	**444,219**	**516,533**	**291,179**	**342,564**
International - Various Mediums	Fall	137,683	162,538	212,639	247,270	221,009	260,011
	Spring	466,820	542,813	614,981	715,102	616,908	725,775
		604,502	**705,351**	**827,620**	**962,372**	**837,917**	**985,786**
Magazine - Cooperative Advertising	Fall	42,594	49,528	144,919	168,511	137,774	144,162
	Spring	486,660	565,883	436,244	507,260	511,971	602,319
		529,253	**615,411**	**581,163**	**675,771**	**649,745**	**746,481**
Sponsorship	Fall	None	None	152,284	167,958	109,724	125,018
	Spring	None	None	16,093	24,182	152,289	169,281
		None	**None**	**168,376**	**192,140**	**262,012**	**294,298**
Newspapers - Cooperative Advertising	Fall	None	None	None	None	5,689	6,693
	Spring	92,037	133,049	101,615	118,158	72,386	85,160
		92,037	**133,049**	**101,615**	**118,158**	**78,075**	**91,853**
Broadcast - Domestic Consumer	Fall	403,972	469,735	224,067	258,041	327,214	384,957
	Spring	1,152,887	1,340,566	676,491	786,618	807,341	949,813
		1,556,859	**1,810,301**	**900,558**	**1,044,658**	**1,134,554**	**1,334,770**

Notes: "Net" is Mayer's cost to insert advertisements in the various types of media. "Gross" is composed of the net cost and Mayer's commission for placing the advertisement. The contract with Mayer allows Mayer to receive a 15% commission for media advertising it places.

Some subtotals are off by $1 because of rounding.

		FY 1997-1998		FY 1998-1999		FY 1999-2000	
Media Type		**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**
Direct Mail	Fall	None	None	None	None	None	None
	Spring	None	None	None	None	$36,025	$42,382
		None	**None**	**None**	**None**	**36,025**	**42,382**
Multi-Cultural - Various Mediums	Fall	$58,448	$67,963	$17,561	$20,420	None	None
	Spring	244,540	284,349	252,752	293,897	206,998	243,527
		302,988	**352,312**	**270,313**	**314,317**	**206,998**	**243,527**
Interactive (internet)	Fall	60,939	70,859	114,305	132,913	124,254	146,181
	Spring	77,519	90,139	249,950	290,639	466,540	548,870
		138,458	**160,998**	**364,255**	**423,553**	**590,794**	**695,051**
Total Media Costs		**$5,085,699**	**$5,942,074**	**$5,044,794**	**$5,859,948**	**$5,038,314**	***$5,895,584**

*The amounts for FY 2000 are before LOT's adjustments of $95,249 to Mayer's invoices. A significant part of the $95,249 adjustment is the $93,333 adjustment made for the *Louisiana Life* magazine as described in the report. The remaining $1,916 consist of miscellaneous adjustments LOT made to the invoices. This accounts for the difference between this total and that in Appendix C.

Source: Prepared by legislative auditor's staff from Mayer's tourism account financial information.

Notes: "Net" is Mayer's cost to insert advertisements in the various types of media. "Gross" is composed of the net cost and Mayer's commission for placing the advertisement. The contract with Mayer allows Mayer to receive a 15% commission for media advertising it places.

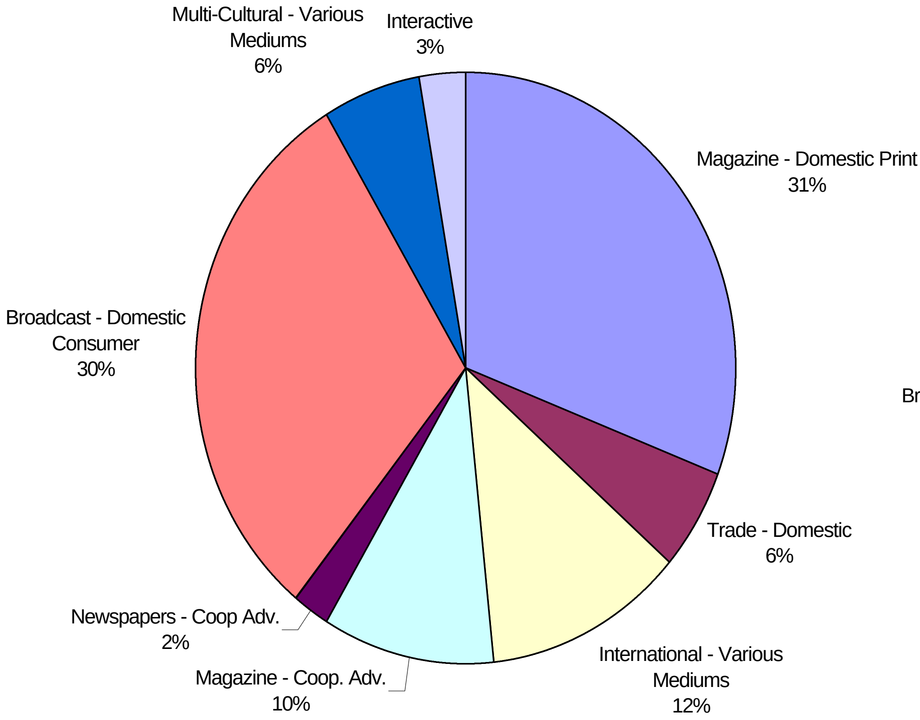
Some subtotals are off by $1 because of rounding.

Appendix G

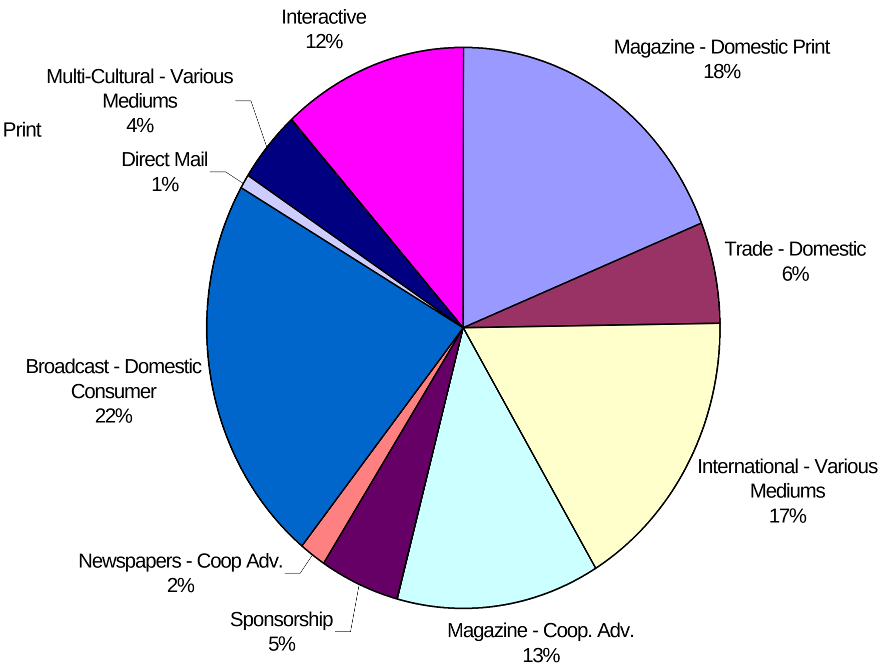
Comparison of Media Costs for Fiscal Year 1998 to Fiscal Year 2000

Appendix G: Comparison of Media Costs for FY 1998 to FY 2000

FY 1997-1998 Media Costs



FY 1999-2000 Media Costs



Source: Prepared by legislative auditor's staff from Mayer's financial information using "gross" media cost.

Appendix H

Response of Department of Culture, Recreation and Tourism - Office of Tourism

Kathleen Babineaux Blanco
Lieutenant Governor

State of Louisiana
Office of the Lieutenant Governor
Department of Culture, Recreation & Tourism
Office of the Secretary

Phillip J. Jones
Secretary

February 13, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
State of Louisiana
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Attached is our formal response to the Department of Culture, Recreation and Tourism, Office of Tourism's Performance Audit submitted to this department. I would like to take this opportunity to thank you for the cooperation extended to us during this audit.

If you have any questions or need additional information, please do not hesitate to contact me at 342-8115 or Matthew A. Jones, Undersecretary, at 342-8201.

Sincerely,

Phillip J. Jones
Secretary

Response to Louisiana Office of Tourism Performance Audit Dated 2/01

Opening Comments

The Louisiana Office of Tourism (LOT) appreciates the efforts of the team of auditors who gave so much of their time to better understand the crucial role played by the Louisiana Office of Tourism for the State of Louisiana. We value the chance to clarify the significant function LOT serves in the development and continued growth of Louisiana's vital tourism industry, as tourism is a key economic engine that positively impacts all areas of our state and all Louisiana citizens.

We welcome the opportunity to respond to the auditors' comments about the Louisiana Office of Tourism. LOT continually strives to find the most effective and efficient means of utilizing the resources entrusted to us. While there are always opportunities to improve the performance of any state agencies, we strongly disagree with many of the conclusions and recommendations contained in this report.

According to the Checklist for Audit Recommendations presented with this audit report, we were asked to Agree, Partially Agree, or Disagree with each of the eleven recommendations. A list of these recommendations arranged by category follows and are further explained in the body of this response:

Agree:

Recommendation 1: The Office of Tourism should work with the Office of Planning and Budget (OPB) to:

1. Clearly indicate any projected numbers or unavoidable inconsistencies in the data by using footnotes in the executive budget.

2. Develop valid indicators to specifically measure the Office of tourism's performance.

Recommendation 5: LOT should review its sponsorship of all other Louisiana Travel Promotion Association brochures. The sponsorships that are duplicative should be discontinued.

Recommendation 7: LOT should review its editorials in Louisiana Life and advertisements placed with the Louisiana Association of Broadcasters and the Louisiana Press Association to see if they violate R.S. 51:1286 (C)(1)(c), which prohibits the use of sales tax proceeds for the purchase of in-state media.

Recommendation 8: LOT should develop clear, comprehensive, written policies on contract and agreement administration. These policies should govern how contracts and agreements are to be monitored by staff as they progress and are evaluated upon completion. The policies should cover all forms of contractual arrangements. These should include not only all guidelines set forth by the Office of Contractual Review (OCR), but also additional policies designed by LOT. These additional LOT guidelines should be crafted to help it meet its internal goals.

- LOT should develop its own comprehensive "goals" form at the beginning of the contract/agreement and keep it in the LOT contract file. Upon the completion of the contract/agreement, the form will serve as a reminder of why the contract/agreement was entered into and assist the monitor in comparing results to the goals in order to properly evaluate performance. The "goals" form should explicitly address the intended effect on tourism.

- LOT should develop a more comprehensive performance evaluation. This evaluation should explicitly address the achievement of or failure to achieve the intended effect on tourism and the cost-effectiveness of the contract. LOT should make monitors aware that simple one-sentence comments are not acceptable and stress the importance of a more comprehensive and thoughtful approach to evaluating performance.

Recommendation 9: LOT should require monitors to have a clear understanding of contact/agreement terms including the deliverable to be received, time frames for services to be provided, and intended effect on tourism in order to ensure the quality, timeliness, and effectiveness of the contracts they oversee. Clear knowledge of the contract/agreement terms will make it easier for the monitors to ensure the contractors strictly adhere to those terms.

Recommendation 11: LOT should always ensure that special meal regulations are followed. LOT should seek industry participation to fund tourism events such as the Charleston reception.

Partially Agree:

Recommendation 1: The Office of Tourism should work with the Office of Planning and Budget (OPB) to:

3. Ensure that official reports published (i.e., Annual Report, master Plan and Marketing Plan) all contain matching figures.

Recommendation 2: The Office of Tourism should develop a consistent methodology to determine total "visitors" to the state. We recommend that the office update its methodology to ensure that accurate and valid performance measures are developed and reported.

Disagree:

Recommendation 3: LOT should improve upon its methods used to monitor the cost-effectiveness of its marketing campaign through the Mayer contract. These improvements should address the weaknesses cited with each study and establish a more verifiable impartial link between the marketing campaign and the actual number of visitors to ensure that the state receives a good return on investment.

Recommendation 4: LOT should restructure Mayer contract to include the criteria that media buys must meet in order to ensure that cost-effective media are bought.

Recommendation 6: LOT should ensure that Mayer is sufficiently monitoring its subcontracts, especially the Protocol contract, to ensure the state is receiving efficient and effective services.

Recommendation 8: LOT should develop clear, comprehensive, written policies on contract and agreement administration. These policies should govern how contracts and agreements are to be monitored by staff as they progress and are evaluated upon completion. The policies should cover all forms of contractual arrangements. These should include not only all guidelines set forth by the Office of Contractual Review (OCR), but also additional policies designed by LOT. These additional LOT guidelines should be crafted to help it meet its internal goals.

- LOT should better coordinate contract administration in order to eliminate duplicative and overlapping contracts.

Recommendation 10: LOT should promulgate regulations, as specified in R.S. 51:1255 (20) and include how tourism proceeds will be used to promote Louisiana.

Introduction (pp. 1-6)

The introduction of this performance audit ends with a list of issues for further study. The document suggests that certain issues could not be studied and resolved because of time constraints placed on the auditors. While we agree that the Louisiana Office of Tourism is a complicated agency with performance nuances unique in state government, we must clarify that this was a comprehensive audit spanning six months and requiring the concerted efforts of many staff members and hundreds of hours.

The first issue suggests that the legislature should review the various impact studies received by the department to evaluate their methodology and use. It should be noted that professional staff within the department already does so. The studies that we use are reported annually to the legislature, and their selection based on requests for information from the legislature and the Division of Administration. These studies are Oakland Econometrics' *An Analysis of Louisiana Tourism Advertising Promotion*; the University of New Orleans' *Louisiana Tourism Conversion Study*; the Marketing Workshop's *Assessment of the Effectiveness of Louisiana's 2000 Advertising Campaign*; and the Travel Industry Association of America's *TravelScope Survey*. These studies are conducted by experts in their field and provide conclusive evidence that the activities of the Louisiana Office of Tourism are providing benefit to the state.

The second issue relates to the department's contract for the Louisiana Tour Guide. The Tour Guide is one of the most powerful tools we have to attract potential visitors and encourage present visitors to increase their spending. The audit questions the benefit of the contract and suggests that there is no analysis of revenues and expenditures. This is completely inaccurate. Every year this arrangement is examined to ensure that the state receives the best value for dollars spent. Expenditures and ad placement revenues are continually reviewed and set so as to keep our costs at a minimum.

Finally, the report questions the cost-effectiveness of our cooperative advertising program. There are no details provided on this matter, and it should be made clear that all indicators of this program do in fact reflect its effectiveness.

Validity of Performance Indicators (pp. 7-18)

We must acknowledge at the beginning of this section that the issues surrounding the selection of adequate performance measures for tourism, marketing, and advertising are difficult to grasp in such a short time. As new as performance auditing was to us, so too were these issues to the audit team.

Recommendation 1.1 states that the Louisiana Office of Tourism (LOT) should work with the Office of Planning and Budget (OPB) to clearly indicate projections and inconsistencies reported in the Executive Budget. We do now and have always worked at great length with OPB to address this and other issues in the Executive Budget. We provide detailed information for every indicator used by OPB. Due to space constraints in the Executive Budget the information provided is often summarized or omitted, making this recommendation beyond our control.

Further in the audit, it is suggested that one reason for the inconsistencies is limited review of information by the department. This is absolutely untrue. The Louisiana Office of Tourism does an extensive review and analysis of all information received by the office. No data is reported before going through this process. The report seems to confuse certain functions within the department. All performance data is submitted to OPB through a central administrative office in the department; the Office of Management and Finance (OMF). OMF does not collect or maintain this type of information. The analysis is done by LOT, after which it is presented to OMF for submission to OPB. Stating only that OMF does not do the analysis is grossly misleading.

One example used in this section attempts to show an inconsistency in data collected and reported concerning the number of telephone inquiries generated from certain advertisements. The OPB has directed us to report the total number of calls made to our bank of toll free lines. The information we collect contains, among other things, the number of calls, the ad they relate to, the length of time in queue, the length of time speaking to an operator, the number of hang-ups, and the number of wrong numbers. We use all of this information internally for making future policy decisions. The audit seems to suggest that in reporting the total number of calls, including hang-ups and wrong numbers, we either do not have more detailed information or are in some way misleading the legislature. As explained, both of these assumptions are incorrect.

Part 2 of this recommendation also suggests that LOT should work with OPB to develop valid indicators that specifically measure our performance. This issue will be addressed several times in the audit and in this response. OPB requires us to report the indicators currently in the Executive Budget and, in reporting them, we believe they are reasonable measures. We use broadly accepted methodologies in independent studies from leading researchers in the field to determine our effectiveness. The difficult issue here is that while these studies all show a high level of performance, they vary as to the degree of performance. Each of these studies uses a different model to calculate performance. Unless we had the capacity to stop every car, bus, train, airplane, and cruise ship entering the state, there is no way to determine with absolute certainty the exact number of visitors affected by one particular advertisement. The audit implies that since all the studies did not indicate the same level of effectiveness, there must be an error in methodology. There was no basis provided in the audit report to refute the studies, they were simply disregarded. While this issue will be discussed further in this response, we should simply point out that the studies provide valid and accurate indicators. Trend analysis is most important in this field. As long as a consistent methodology is used for calculations, the annual change in that figure will produce a valid indicator that is the cornerstone for a solid analysis of performance.

The third part of Recommendation 1 states that we should ensure that the same figures are reported in all LOT publications. This overlooks two important facts. First, all reports are published using the best numbers available at the time of their publication; in some cases this involves making a projection. Since tourism figures are updated throughout the year, it is highly unlikely that the reported figures will ever exactly match after-the-fact actual numbers. The audit omits the fact that when there are differences, they are generally small in nature. Our policy has been to report the most accurate numbers available, not to continue to report an outdated inaccurate number for the sake of consistency. Secondly, indicators like total visitation may be reported differently in different publications. The bottom line is that each publication is designed for a particular audience, and has results presented in a format familiar to that audience.

Recommendation 2 suggests that LOT develop a consistent methodology for counting total visitors to the state. LOT uses the same definition for visitor for all data collected and reported. Visitors should include residents and nonresidents that travel 100 miles or more round trip. There is an outdated statutory definition that was established in 1983. R.S. 51:1253(10) defines a tourist as above, but they must travel 200 miles or more round trip. This definition is no longer used by the department and is not used in the collection or reporting of data. We have already asked our oversight committees to address this matter in the upcoming legislative session.

The issue of visitor definition is brought up again in this section as it relates to other states and their comparison to Louisiana. Obviously LOT has no control over the definitions used by other states. However, what the audit report fails to acknowledge is that we use national surveys to make state comparisons, because they each use the same definitions and calculations for each state in their analysis.

Visitor definition is further broached when an industry researcher is quoted as saying that the lack of a standard definition among states can lead to artificially high projections in certain areas. While this statement may prove true for some states, it is most definitely not true for Louisiana. The audit fails to mention that of all the studies available, we use the most conservative, thereby reporting the lowest visitation count totals currently available in the industry. No one can argue that LOT is in any way artificially driving up visitor numbers.

Aside from the definition issue, the report claims that LOT uses questionable methodology in reporting total visitor numbers. While we disagree with the audit's analysis, it should be pointed out that this is now a moot point as changes were already in place for the FY02 Executive Budget that resolve the issue. The issue of visitation numbers is itself a minor issue. Economic impact is what really matters, and that indicator is not questioned in this report. Economic impact is the true measure of the relative importance of the tourism industry, and is not affected by the different models used to calculate tourism visitation numbers. In Louisiana the economic impact of tourism has grown substantially during the past five years, outpacing regional and national growth.

However, to address the report's concern regarding visitation numbers, a brief history is required. LOT contracts with the Travel Industry Association of America (TIA) for its survey of U.S. visitor volume. Around 1994, TIA discontinued its *National Travel Survey* in lieu of its new *TravelScope* survey. The older survey reported figures approximately 17% higher than the new survey due to its more comprehensive analysis of a certain group of visitors referred to as daytrippers. As the *TravelScope* survey was a new model, TIA suggested that states continue to report the daytrippers from the previous survey until the new model could be fully tested over time. Also, until a new valid trend could be established, OPB required LOT to continue reporting the adjusted daytrippers from the old survey with the visitation numbers from the new survey.

The audit report perceives this as an overestimation of visitors, when in fact it is simply a more accurate accounting of all visitors by combining data from two different surveys. However, as stated above, this is no longer an issue as sufficient trend data is now available for us to shift completely to the new survey, which has been accepted by the agency's legislative oversight committees. This shows that once again LOT has made a conscious effort to use the most conservative approach in reporting performance. This also illustrates how trend analysis is much more important than a snapshot approach. In the two methods for reporting visitation above, the total visitation number for each year (snapshot) was different while the annual percentage change in those numbers (trend) were the same.

Comparisons of Louisiana and Other South Central Region States (pp. 19-26)

We take exception to most of the analysis done in this section. While we do not disagree with the numbers reported, we do question their use as a measure of LOT's performance. A valid indicator would be a trend analysis, for example, showing that Louisiana's growth rate in both visitors and visitor spending has outpaced the region and the nation for the past five years. As a result of such true performance measures, we agree with the report's matter for legislative consideration, recommending a review of LOT's funding. All indicators show that increased funding will produce increased revenues for the state, while a decrease would similarly decrease state revenues.

The first table in this section reports the state tourism budgets for the eight states in the South Central Region as reported by TIA. First, this does not take into consideration the relative size of the state, the relative size of the state's budget, or the relative size of the tourism industry to that state. Texas, for example, is shown with a larger tourism budget. This is more likely due to a much larger state budget in general than a policy decision, showing the irrelevance of such comparisons. Another problem with this chart, and the next reporting tourism spending per capita, is that all expenditures are not included.

The tourism budget reported here does not take into account how the tourism functions in various states are funded. Welcome centers are a good example of this. We know that in many southern states, this function is funded through their Department of Transportation, while in Louisiana it is funded through the Office of Tourism. The report shows another analytical flaw when it states that Louisiana has a larger tourism promotion budget than California, Nevada, and Colorado. Because of institutions like Disneyland and Universal Studios, California has access to tremendous private sector resources unavailable to Louisiana. Nevada has Las Vegas, a city with a promotion budget several times larger than our entire state. Colorado is an example of what happens when the state tourism budget is cut. The year reported in this audit shows a dramatic cut in Colorado's tourism budget as a result of an effort by the legislature to save money. Immediately following the reduction, the state experienced a significant drop in tourism. They dropped out of the top fifteen vacation states in the country and have never recovered. They have since restored the tourism budget to a very healthy level.

The next analysis in this section focuses on the breakdown of each state's advertising budget. It looks at the percentage of the budget spent on various media purchases, research, etc. This simply illustrates whether or not Louisiana's expenditures on a percentage basis are in line with the regional average. There is no discussion as to the appropriateness of the breakdown or what level is most effective. It should be noted that tourism is one area where Louisiana leads the nation. Adjusting our structure to meet the regional average would be a step backward.

The report next concludes that Louisiana receives less of an economic impact per dollar spent than the region. The audit itself reports that in 1997, Louisiana received $459 of economic impact for every dollar spent. LOT considers this an excellent return on investment and a prime indicator of effectiveness. The auditor's conclusion completely ignores the fact that all analysis shows that this number will improve with more funding. It also ignores the discussion of what level of impact should be considered effective.

Effectiveness of Marketing Campaign Through Mayer Contract (pp. 27-46)

We disagree with Recommendation 3, that the LOT should change its methods used to monitor the cost effectiveness of its marketing campaign. Currently three separate, objective studies, conducted by qualified tourism research experts concur that the LOT's marketing program is cost-effective. The studies, listed above, clearly address the question of marketing effectiveness, and conclude, "Overall, tourism advertising is a good investment for Louisiana" (UNO Study). By contrast, no objective, third party, or expert study is offered to refute the findings of any of the three independent expert studies or to support their assessment that they could not determine with certainty whether the marketing campaign is or is not effective.

> Whether success is measured by state tax revenues or earnings of Louisiana residents, outlays by the Office of Tourism provide generous returns to the state and its citizens. This is true whether performance is evaluated for the budget as a whole or for incremental spending. (Oakland Study)

No one was contacted with Oakland Econometrics, and no data or methodology is offered to contradict their findings, which are prepared specifically for the Legislature at the recommendation of the Legislative Fiscal Office, and which concludes:

> All aggregate indicators point to a significant growth in out-of-state tourism since the creation of the Louisiana Tourism Promotion District, with growth being particularly rapid during the several years preceding 1998.

Nor is any rationale offered for contradicting the conclusion of the University of New Orleans, Conversion Study:

> Even the conservative measures of adjusted conversion rates indicated that Louisiana tourism advertising continues to yield positive returns. In addition, it is reasonable to assume that the overall return on investment is far greater since many visitors exposed to Louisiana tourism advertising do not request travel information and are not represented in the above analysis. Overall, tourism advertising is a good investment for Louisiana.

Lastly, the auditors reviewed the Marketing *Workshop's 2000 Post-Wave Ad Tracking Study* but excluded its conclusion that,

> Louisiana's Tourism increases . . . can be correlated to this year's advertising, as a vacationer who has been exposed to the advertising is more likely to have visited during the past year, is more likely to want to visit in the future and is more likely to have positive perception of Louisiana's vacation offerings.

No one at The Marketing Workshop was contacted for this audit, yet conclusions were drawn contrary to the report's findings; specifically that there is no link between advertising and visitation. The president of The Marketing Workshop has reviewed the audit report and concludes:

> We believe the audit report is incorrect with regard to stating or implying that the study shows no effect or impact of the advertising campaign, and that there is no link, between advertising and visitation simply because survey respondents were not specifically asked to show a link existed. In fact, the linkage is there, in the data itself.
>
> First, we should recognize that 47% of the national sample of vacation travelers specifically said they recalled advertising for Louisiana; in fact, in the High Business Development Index (BDI) markets, markets where people indicate more of a propensity to travel to Louisiana and thus markets where the state concentrates its advertising, 72% specifically remembered this advertising. Thus it is clear that, first of all, the state's advertising is reaching the audience of prospective visitors to Louisiana.

Secondly, in addition to remembering that there was Louisiana advertising, they are getting the specific intended message. Our report shows that 40% of all respondents (which is 85% of all recallers since 47% claim recall) were able to play back, unaidedly (i.e., without being prompted) at least one message from the advertising.

But of course people can recall advertising and not be impacted by it, so now we need the 'link."

The 'linkage' between advertising and visitation is not often direct, or as simple as asking someone if they took a specific action because of advertising. People may not know or may not want to admit that advertising is influential in their purchase or visitation intentions. Further, advertising may be the initiator of several steps in a decision to visit: for example, one might see an ad and as a result of the ad, call or write for a brochure and, based on the brochure, decide to visit the state. Yet, if they were asked if advertising influenced their trip decision, they would probably say, "no, it was because I got the brochure." For that reason we do not ask a direct question, but rather look at associations.

A key analytical tool is to examine the awareness of the state, reported visitation, and future visitation intentions among those who recall Louisiana advertising compared to those who do not recall its advertising. If ad recallers have higher awareness, higher visitation, more favorable attitudes, and higher future visitation intent towards Louisiana than those who do not recall the advertising, it is then logical to assume that advertising is the one variation that causes the difference. And while we are aware that a cause and effect relationship can never be proved conclusively (just as the link between smoking and cancer cannot be proven from such relationships), we are confident that such a link exists.

The report states that, from the national study, 20% of respondents who recall Louisiana advertising have visited the state in the last year, compared to only 5% of those who do not recall ads who have visited. And 47% of ad recallers have a positive future intent to visit, compared to only 18% of non-recallers who plan to visit. Stated another way, ad recallers are four times as likely to visit the state (20% versus 5%) and almost three times as likely to plan to visit in the future (47% versus 18%) as non-recallers.

The same boost from advertising is true in the High BDI markets: 48% of ad recallers have visited and 64% plan to visit, compared to lower levels of 24% visitation and 41% future intent among those who do not recall the ads. Clearly, Louisiana tourism advertising recall is positively associated with actual as well as future intended visitation to Louisiana.

> Very simply stated: vacation travelers who recall Louisiana's ads are significantly more likely to come to Louisiana, and to visit in the future, than are those who don't recall the ads.

Further, the audit acknowledges the dramatic increase in actual visitation to Louisiana from markets in which LOT advertises heavily, but discounts The Marketing Workshop study's conclusion of advertising effectiveness because, "the survey does not ask visitors if they visited Louisiana because of the advertisements they were exposed to."

This statement reflects a lack of understanding of marketing research techniques. Asking a consumer if they made any purchase decision based on advertising influences is simply not a valid research technique. The research techniques utilized by The Marketing Workshop and the other experts hired by the state are considerably more complex.

The report next questions the television and magazine portion of the advertising campaign. It is suggested that these types of ads may not be as profitable since state sales taxes generated by travelers do not exceed tax dollars spent. This is an incomplete analysis of effectiveness and profitability. The analysis excludes internet inquiries, which constitute approximately 70% of all inquiries. As many of these inquiries are due to our marketing campaign and result in additional tourists, to arbitrarily eliminate their value gives a completely invalid picture. Also, a large part of the total impact of tourism is omitted if only state taxes are counted. This would completely overlook the impact on individual jobs and payroll as well as the impact on local economies and governments.

This section also contains the erroneous conclusion that the state's advertising efforts have a minimal effect on overall visitation numbers. The report states that only about 2% or 500,000 visitors are influenced by our ad campaign. The audit seemingly confuses advertising effectiveness with inquiry generation. While the auditors correctly acknowledge that it is LOT's mission to "invite visitors to the state and to conduct an ongoing promotional campaign of information to create and sustain a positive image of Louisiana," they consider only advertising inquiries as the measure of effectiveness for LOT. Clearly, LOT's mission includes enhanced image and awareness of the state, but the auditors continually ignore this point. We should first point out that 500,000 visitors staying an average of 3.9 days and spending an average of $125 per day (Oakland Study) would have an economic impact of over $243 million. While this number certainly justifies the Office of Tourism's $16 million budget, it is far too low. The report only acknowledges individuals who call for a tour guide and then visit. It ignores the fact that most people who call do not travel alone and are likely bringing their families. It also ignores visitors who get their information from our web site (70% of all inquiries) or those who do not inquire at all. Since the state generates approximately 2.4 million inquiries from its advertising campaign but receives over 24 million visitors annually, it is obvious that many people visit Louisiana without inquiring as they are still influenced by the campaign.

The audit next questions one tool for measuring cost-effectiveness, the cost per inquiry or CPI. This calculation takes the placement cost of a particular ad and divides it by the inquiries generated by that ad. This gives a simple objective measure that can be used to compare the effectiveness of various ads, and different media, within and across fiscal years. The audit report suggests that we should include all associated costs in the office to give a clearer picture. Including costs such as salaries or production costs would greatly hinder the tactical value of this indicator. Their inclusion would greatly skew the CPI and make them no longer comparable. We as a department constantly review all costs associated with a program and make decisions accordingly, but they should not be a part of this calculation.

Another issue arises when the report, referring to international advertisements and sponsorships, state that certain media types are not measured. Again, the report's reliance on traditional inquiries only, is flawed. Foreign representatives with whom we contract track international advertisements and fulfillment requests. These ads do not generate inquiries to our toll free phone lines, as they are not toll free from overseas. Sponsorships ordinarily do not generate inquiries at all, but their effectiveness is certainly measured through other means, such as awareness, intent to visit, and public relations.

The most important factor to consider in measuring public relations exposure is the year-to-year trend, so that we can monitor public relations exposure and modify/plan ahead accordingly.

LOT public relations projects are measured by using an advertising equivalency measure factoring the cost of advertising space with the credibility of editorial coverage. The advertising equivalency measure used is based on a simplified Public Relations Equivalency Plan. The Public Relations Society of America, in 1994, indicates that using an equivalency measure that equates advertising and public relations on an equal basis is insufficient, since it does not take into account the implied credibility of public relations. Unlike advertising, public relations messages cannot simply be placed in publications. Therefore, it is essential that public relations projects attract producers, editors, and writers in order to receive coverage. The exposure generated by public relations carries with it an implied credibility that is greater than advertising, since the client does not control the message. Therefore, the third party endorsement of an impartial newspaper, magazine, or broadcast writer typically equates to a greater value than an advertisement that is paid for and controlled by the client.

Most equivalency plans used by agencies we contacted use at least 2.0 or 2.5 times the advertising value to reflect this increased value of public relations exposure. For the Office of Tourism purposes, a print equivalency value of 1.65 is used in order to be very conservative with the measurement. Broadcast is valued at a greater value (2.0) because of the greater emotional impact of words and visual images together.

For an ultra-conservative analysis of public relations value, even if you remove the public relations multipliers altogether, the LOT received an almost 2 to 1 return on investment for FY99.

Each story generated through public relations efforts has been measured according to the number of column inches received. The number of column inches is then multiplied by the cost of the advertising rate for each publication to receive the value of the coverage. The cost of the advertising space for each publication has been obtained through the Peter A. Mayer and Partners' Media Department.

We also disagree with Recommendation 4, that LOT should restructure its professional services contract to include media purchase and effectiveness criteria. The contract is not the appropriate place for these issues. The assertion that the "Mayer contract does not include criteria for what constitutes an effective media buy" is very misleading. It suggests, erroneously, that LOT and Mayer fail to set objective, measurable criteria for media effectiveness. In fact, this is done, specifically and quantitatively, on an annual basis, but it is done outside of the contract, in a more appropriate venue: The Annual Media Plan. It is this plan prepared by the agency that includes specific media objectives and quantitative criteria as to what constitutes an effective media purchase.

Utilizing the Annual Media Plan instead of the state's Professional Services Contract to determine cost-effective media buys allows LOT the necessary flexibility in managing the media program, yet still allows the department the ability to assess the agency's performance in developing and executing an effective media program. A full copy of the Annual Media Plan was submitted to the audit team, but because it is not referred to in the audit report, we are unable to determine if it was reviewed or its use understood. For example, the Annual Media Plan prepared by Mayer and approved annually by LOT includes the following quantitative criteria for media plan evaluation: inquiries, cost per inquiry, media reach and frequency, advertising recall, intent to visit, and positive opinion.

We concur with Recommendation 5, that we should review our sponsorship of certain Louisiana Travel Promotion Association (LTPA) brochures, but we do not agree with the assessment that our sponsorship is duplicative of the Louisiana Tour Guide. To argue that our funding is unnecessary and duplicative because many of the organizations mentioned in the brochures also advertised in the state's Tour Guide is analogous to arguing that retail businesses have no need to advertise if they are listed in the Yellow Pages. We have reviewed our sponsorship of the LTPA brochures in question and believe them to be appropriate and effective expenditures. The brochures are used in many instances where the Tour Guide is not and provides specific, targeted information to potential Louisiana visitors that they find useful. This is a principal of marketing, and a common practice of tourism offices throughout the country.

We disagree with Recommendation 6. The department internal auditor's findings were used to conclude that Mayer has not properly managed the Protocol contract. Yet it was Mayer, acting on behalf of LOT, who identified the problems, initiated its own internal review, shared the findings with LOT, and with LOT requested a formal audit by CRT's internal auditor. In July 1999, Mayer alerted LOT that Mayer had growing concerns regarding the state's telemarketing vendor, Anserphone (since renamed Protocol). Mayer conducted its own review in August 1999, and shared the results with LOT officials. At that point, CRT's internal auditor was brought in at the request of Mayer and LOT to conduct a formal audit.

The result of that audit led to a renegotiated contract between Mayer and Protocol in 2000, that addressed all of the issues raised by Mayer and the internal auditor (e.g., it lowered the telephone charges from 20 to 7 cents a minute). The audit also resulted in a new Request for Proposals for telemarketing services for LOT, which Mayer managed. Ultimately, this resulted in the selection of a new telemarketing vendor in 2001. The report also indicates that funds spent to pay for wrong numbers and hang-ups were unnecessary. Obviously, LOT must pay for all calls to the phone bank, regardless of the caller's intent. As a result of Mayer's involvement, unused lines are now deactivated to reduce this expense. This clearly demonstrates that Mayer is monitoring the contract effectively, and that LOT is monitoring the Mayer contract effectively.

While we acknowledge problems in the handling of telemarketing for the Louisiana Office of Tourism, we believe Mayer has been proactive and responsible in managing this contract. And we are satisfied that the new vendor will provide quality telemarketing services.

We concur with Recommendation 7, that the Louisiana Office of Tourism review whether our membership in the Louisiana Association of Broadcasters (agreement in effect since 1979) and the Louisiana Press Association (agreement in effect since 1991), as well as our agreement with Louisiana Life magazine are consistent with state law. The audit suggests that the $180,000 spent on these projects was not necessary. This is misleading and implies a waste of taxpayer dollars. While we strongly believe that these relationships are consistent with state law and that the state receives exceptional value from these relationships, legislative direction may be required.

Television spots and print ads furnished to the LAB and LPA, respectively, are run as a public service only, not as paid advertising. No newspaper or television station receives money for running these ads, nor are they required to do so, making them public service announcements rather than paid advertising. Funding for Louisiana Life editorials is based only on the percentage that is distributed out of state.

Effectiveness of Contracts Outside of Mayer Contract (pp. 47-63)

We agree in large part with Recommendation 8. While it should be noted that we strictly follow the state laws and Office of Contractual Review (OCR) guidelines governing contracts, we agree that we need more controls internally. That is why at the onset of this audit, we explained our efforts to develop a set of contract policies and procedures internally. As we stated to the audit team and as they have presented in their report, more comprehensive guidelines are needed due to the unique nature of LOT contracts. The last part of this recommendation, however, seeks the elimination of duplicative and overlapping contracts. Everything we do is designed to increase tourism, and we strongly argue that all of our contracts are necessary to achieve that goal and are in no way duplicative.

The body of the report expands on this recommendation. We disagree with statements that our performance evaluations are not sufficient or that management is not ensuring that state laws are being followed. As previously stated, we do everything required by state law and OCR, and we plan to do more than is required, as we feel this can only help us in future management decisions. Simply stating that performance evaluations are limited is misleading.

Recommendation 9, requiring improved contract monitor controls, augments number 8 and will be included in the policies and procedures being developed. In short, this is an effort to get more LOT staff intimately involved with each contract so we can ensure adherence to the contract terms. This will also help in evaluating the cost-effectiveness of each contract.

While we agree in part with this recommendation, we disagree with the analysis that led to its conclusion. The audit spent considerable time evaluating the written final report and analysis of each contract instead of evaluating what it was intended to produce. One contract, for example, combines the delivery of several products into a single contract. We received the final products and the reports of their effectiveness. Since there was not a single report for all the products, the audit report states that the terms of the contract were not fulfilled.

In our contract with the LTPA for the state Tour Guide, the audit reports several findings we also do not agree with. The first incorrect analysis is that we spent $19,100 more than we should have. As part of the contract, LTPA sells ads in the Tour Guide to offset the cost. LOT purchases the back page to ensure consistency of design on both front and back covers of the tour guide. The report suggests that we should not have to pay for the page. There is no additional cost to the state resulting from the ad purchase. Through our contract with LTPA we can either pay for the ad directly or pay for it through increased per unit costs.

Through this contract, the state benefits from the LTPA selling more ads. Each year the contract has a sales target level clause. LOT's costs decrease if LTPA exceeds this level. The audit states that we have not benefited from this clause, when in fact, LOT has benefited by LTPA exceeding the level four out of the past six years. The audit finally states that the administrative functions of LOT staff, the LTPA, and Peter A. Mayer and Associates are duplicative. Obviously, the expertise of each group is different, as are the functions they provide relating to the Tour Guide.

We disagree with Recommendation10. R.S. 51:1255 lists the powers, duties, functions, and responsibilities of the office. Part 20 of this statute states, "adopt and promulgate rules and regulations to effectuate the provisions of this section." The recommendation here appears to suggest that we should have formal written rules and procedures for all duties and functions. We believe that the intent here is to adopt and promulgate rules only as needed to accomplish such functions. Requiring us to do so for each function would be inefficient and a waste of resources. For example, part 15 of this statute requires LOT to attend seminars and conferences to promote tourism. No further explanation is needed, and because of the changing nature of tourism, strict policies could actually be too prohibitive and require constant evaluation and updating.

We agree with recommendation 11 and in fact do make every effort to ensure that special meal regulations are followed. We request approximately one hundred exemptions from the state travel regulations each year for many tens of thousands of dollars. Given this volume errors will occasionally occur, as pointed out in the audit. We take this issue very seriously in the department and, as a result work closely with the control agency to receive prior approval. While we admit to the errors reported, we should point out that similar exemptions were approved and we feel that these would have also gained approval.

There are two matters for legislative consideration listed in this section; both of which we disagree with. First, the audit suggests that cooperative endeavors should be included in the Office of Contractual Review's contract guidelines. While this is already being achieved through an agreement between OCR and LOT, we need the flexibility to change the process to meet the needs of each particular endeavor, and have therefore not asked for an official written change. Second, the audit believes that an assessment of cost-effectiveness should be written into state law. This should and will be handled through our formal policies and the terms of the contract itself. Again, writing such a condition into law would be too restrictive and would not allow for the rapid and continuous changes in the industry.

A major concern in this section relates to LOT sponsoring the JAZZ Film Project. The audit is unsure if its funding was within our statutory discretion, unsure if it will promote tourism, and believes the project would have occurred without our support. All of these assumptions are absolutely wrong and completely unsupported.

The JAZZ Film Project has already been a tremendous success to LOT and the state and these benefits will be felt for years to come. Over 42 million people watched the production during its initial run in January. It will be rebroadcast here in the U.S. in February, and will also be shown in key markets internationally. Almost every major newspaper in the country seems to understand the benefits of this project and how it most certainly will positively impact Louisiana's tourism industry. The public relations value alone that we have received thus far has paid for the initial investment many times over, with long-term benefits as yet unknown. It should be noted that this project went forward with the support of the Joint Tourism Subcommittee of the legislature. Our sponsorship ensured that Louisiana was the only state involved in the project; ours is the only state acknowledged at the beginning and end of each episode. Our website and phone number are listed in each episode, and prominently displayed on the project's main website. We also have a reply card that is shipped with each tape and DVD set sold. Finally, we are told in a letter from Louisiana Public Broadcasting that the project could not have proceeded without our support.

Another major concern in this section relates to the mistaken belief that many international contracts and agreements are duplicative and overlapping. Again, this is absolutely untrue. We have several contracts and agreements in foreign markets in order to attract foreign visitors. When we have multiple contracts in Canada, for example, they each target different groups in different ways. To suggest only one contract is needed in a country the size of Canada, with both French and English speaking markets, is analogous to suggesting that an ad placed in Florida will reach a target market in California. This theory is stretched to include some of our domestic contracts as well. The audit reports that since we contract with the New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB), and since they contract with foreign representatives, we do not need to have such contracts. This seems to overlook the fact that it is the job of LOT to promote tourism to the entire state, and that this is not likely to be achieved wholly through the NOMCVB contract. This also ignores that the foreign representatives used through the NOMCVB contract focus on tourism trade and relations. When LOT contracts with a foreign representative the focus is on public relations and consumer efforts designed to generate awareness.

Conclusion

We understand and appreciate the unique circumstances that were presented to the performance auditors; to realize all of the intricacies that are involved in the tourism industry is a daunting task. The Department of Culture, Recreation, and Tourism values the input and appreciates the many suggestions offered by this report, and will take the appropriate action when necessary.

We will continue to work diligently to successfully attract visitors to Louisiana. We are aware of the confidence placed in our department to be good stewards of the public's money and to act efficiently and responsibly with such funds in order to provide jobs and economic return to the citizens of Louisiana.