
**New HTA Management Continues
to Improve Plans, Contract
Oversight, and Reporting:
Follow-Up on Recommendations
Made in Report No. 13-09,
*Audit of Major Contracts and
Agreements of the Hawai'i
Tourism Authority***

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 16-05
May 2016



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct other investigations and prepare additional reports as directed by the Legislature.

Under its assigned missions, the office conducts the following:

1. **Management audits** (also called **performance audits**), which examine the efficiency and/or effectiveness of state-funded programs. These are also called *program audits* when they focus on whether programs are attaining their expected objectives and results, and *operations audits* when they examine how well agencies are organized and managed, and how efficiently they acquire and use resources.
2. **Financial audits**, which attest to the fairness of the state agencies' financial statements. They examine the adequacy of the financial records and accounting and internal controls, and determine the legality and propriety of expenditures.
3. **Procurement audits**, which focus on agencies' procurement of goods and services, and assist the Legislature in overseeing government procurement practices.
4. **Analyses of proposed special and revolving funds**, which determine whether proposals to establish new special funds meet statutory criteria.
5. **Reviews of existing special, revolving, and trust funds**, which determine whether these existing funds continue to meet statutory criteria.
6. **Sunrise analyses**, which evaluate new regulatory measures that, if enacted, would subject unregulated professions and vocations to licensing or other regulatory controls. Before a new professional or occupational licensing program can be enacted, statute requires that the measure be analyzed by the Office of the Auditor as to its probable effects.
7. **Sunset evaluations**, which evaluate recently enacted professional and occupational licensing programs to determine whether they should be terminated, continued, or modified. The evaluations are conducted in accordance with criteria established by statute.
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9. **Audit recommendations follow-ups**, which review the status of recommendations made in prior audit reports. Statute requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by an audited agency.
10. **Special studies**, which respond to requests from both houses of the Legislature. Studies typically address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provides the Auditor with broad powers to examine all books, records, files, papers, and documents as well as all financial affairs of every agency that receives state funding. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



THE AUDITOR

STATE OF HAWAII

Kekuanao'a Building

465 S. King Street, Room 500

Honolulu, Hawai'i 96813



Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Leslie H. Kondo
State Auditor
State of Hawai'i

Despite FY2016 budget reductions, new HTA leadership continues to refine operations and implement our 2013 audit recommendations.

Follow-Up on Recommendations Made in Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority*

Report No. 16-05, May 2016

The 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports to ensure agency accountability over audit recommendations. The purpose of this change was to apprise the Legislature annually of recommendations not implemented by audited agencies, and to require such agencies to submit a written report no later than 30 days after issuance of our report explaining why the recommendation was not implemented and the estimated date of its implementation.

New HTA Management Continues to Improve Plans, Contract Oversight, and Reporting

Our review focused on the Hawai'i Tourism Authority's implementation of 14 audit recommendations made in Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority*. This report details each recommendation, its status, and actions taken related to the recommendation. We deemed nine recommendations closed (64 percent) and five open but in progress (36 percent).

Authority's lack of a cohesive marketing plan and poor reporting on measures of effectiveness impeded transparency

By law, the authority is responsible for developing and annually updating a tourism marketing plan that identifies marketing efforts and targets. It also must establish measures of effectiveness and document progress of the marketing plan in meeting strategic plan goals. This provision is designed to hold HTA accountable for state tourism marketing efforts. In Report No. 13-09, we found that HTA's "marketing plan" was nearly 600 pages, spread across more than a dozen documents, and fell short of statutory requirements.

Contract monitoring needed improvements to ensure contractors' obligations and performance expectations. We also found that without improved contract monitoring, HTA could not ensure that contractors were held accountable for the use of those taxpayer funds. It lacked policies, procedures, and training needed to ensure consistent and efficient monitoring of its marketing contracts and Access and Signature Events programs. For example, HTA did not ensure that contractors submitted final reports and did not routinely conduct final evaluations of contractors. Contract files were also missing key reports.

New administration continues reform efforts started by its predecessors

The prior administration began efforts to implement our audit recommendations shortly after the release of Report No. 13-09. Even before statutory amendments were passed during the 2014 legislative session, HTA re-evaluated its strategic plan and performance measures and augmented its policies and procedures with internal controls, as well as increased training and implemented a new quality assurance process. By mid-2015, HTA underwent major organizational changes. The authority hired a new president and chief executive officer, filled a newly created chief operating officer position, and appointed a new board chair. The former HTA vice president of Brand Management left the organization and the retitled vice president of Marketing and Product Development post was filled in January 2016. The new administration was faced with the challenge of reducing staff by eight positions due to FY2016 budget reductions. Nevertheless, HTA has continued to refine operations and work toward full implementation of almost all our 2013 audit recommendations.

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Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 16-05
May 2016

Foreword

This is a report on our follow-up review of the recommendations we made to the Hawai‘i Tourism Authority in Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai‘i Tourism Authority*, released in December 2013. We conducted our work pursuant to Section 23-7.5, Hawai‘i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation the Auditor has made that is more than one year old and has not been implemented by the audited agency. We wish to express our appreciation for the cooperation and assistance extended to us by the Hawai‘i Tourism Authority’s management, staff, and others whom we contacted during the course of our review.

Leslie H. Kondo
State Auditor

Table of Contents

Chapter 1 Introduction

Legislative Request.....	1
Objectives of the Review	1
Criteria.....	2
Scope and Methodology	2

Chapter 2 New HTA Management Continues to Improve Plans, Contract Oversight, and Reporting

Background.....	7
Status of Recommendations.....	9

List of Exhibits

Exhibit 1.1	Status of Recommendations in Report No. 13-09, <i>Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority</i>	5
Exhibit 2.1	HTA Strategic Goals	10
Exhibit 2.2	HTA Annual Work Cycle	13

Chapter 1

Introduction

To ensure agency accountability over audit recommendations, the 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports. The purpose of this change was to apprise the Legislature of recommendations not implemented by audited agencies. Section 23-7.5, Hawai'i Revised Statutes (HRS), now requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency.

Legislative Request

The 2008 Legislature intended to provide itself greater oversight over the implementation of audit recommendations. Act 36, Session Laws of Hawai'i (SLH) 2008, was modeled after a 2006 California law that enabled legislators to use agencies' claims of progress against audit recommendations in their budget discussions.

The Hawai'i Legislature asked the Auditor to report annually, for each unimplemented recommendation: (1) the agency that was audited; (2) the title and number of the audit report containing the recommendation; (3) a brief description of the recommendation; (4) the date the audit report was issued; and (5) the most recent explanation provided by the agency regarding the status of the recommendation.

In addition, agencies notified by the Auditor that a recommendation is considered not implemented must submit a written report to the Auditor, the Senate president, and the speaker of the House of Representatives within 30 days of being notified by the Auditor. The report must also include an explanation of why the recommendation was not implemented and an estimated date of when it will be implemented.

Objectives of the Review

1. Validate the claims made by agencies regarding implemented audit recommendations.
2. Report to the Legislature on audit recommendations not yet implemented.

Criteria

We relied on Chapter 23, *Auditor*, HRS; *GAO-07-731G Government Auditing Standards*, U.S. Government Accountability Office (GAO), December 2011 Revision; and *How to Get Action on Audit Recommendations*, U.S. General Accounting Office, July 1991, in the conduct of our review.

The GAO's criteria are especially useful for our purposes, since GAO also reports on the status of recommendations not fully implemented. GAO's reports are intended to "help congressional and agency leaders determine the actions necessary to implement the open recommendations so that desired improvements to government operations can be achieved." In particular, GAO reports on whether:

- Monitoring and follow-up are done by staff members responsible for, and knowledgeable about, the recommendation;
- Each recommendation is followed up on an ongoing basis, with at least semi-annual updates, and an individual recommendation follow-up plan is developed for each assignment; and
- Results intended by each recommendation and benefits expected from its implementation are defined as a basis for determining the adequacy of implementation.

Scope and Methodology

We based our scope and methodology on GAO's guidelines in *How to Get Action on Audit Recommendations* (1991). According to GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations—not the recommendations themselves—that helps government work better at less cost. Effective follow-up is essential to realizing the full benefits of audit work.

Our review, conducted between November 2015 and March 2016, focused on the Hawai'i Tourism Authority's implementation of our recommendations in Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority*, which we issued in December 2013. We followed standard office procedures for conducting audits pursuant to the Office of the Auditor's *Manual of Guides* and generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings

and conclusions, based on our objectives. We believe the evidence we obtained provides a reasonable basis for our conclusions based on our review objectives.

Determining progress

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems and involve multiple agencies, resulting in a long implementation period. Therefore, ample time should be afforded to agencies implementing recommendations in order for a follow-up system to be useful and relevant.

With those observations in mind, we have determined an active follow-up effort is most effective and relevant if conducted three years after publication of an initial audit report. Too short an interval between audit report and follow-up might not give agencies enough time to implement a complex recommendation; too long might allow agencies to lose valuable personnel and institutional knowledge needed to conduct an adequate follow-up.

This review included interviews with selected administrators, managers, and staff from the authority. We examined the authority's policies, procedures, records, and relevant documents to assess and evaluate whether their actions adequately fulfilled our recommendations. Our efforts were limited to the inquiry, testing, and reporting on implementation of recommendations made in Report No. 13-09. We did not explore new issues or revisit old ones that did not relate to our original recommendations. Site visits and observations were conducted as needed to achieve our objectives.

Identifying key recommendations

The extent of work done to verify implementation depends on the significance of individual recommendations. For instance, GAO notes that while all audit recommendations should be aggressively pursued, some are so significant that added steps are needed to implement them. The significance of a recommendation depends on its subject matter and the specific situation to which it applies. Significance can be addressed in terms of dollars; however, dollars are only one measure, and not necessarily the most important one. For instance, recommendations to ensure safe operations often take precedence, since their implementation could prevent the loss of life, substantial bodily injury, or environmental contamination.

Closing recommendations

In accordance with GAO guidelines, we consider recommendations “closed” for the following reasons:

- The recommendation was effectively implemented;
- An alternative action was taken that achieved the intended results;
- Circumstances have so changed that the recommendation is no longer valid; or
- The recommendation was not implemented despite the use of all feasible strategies.

While these and other guidelines provide the basic ground rules for our review efforts, we recognize that effective follow-up needs to be tailored to particular recommendations and the results they seek.

Definition of terms

Closed: Recommendation has been addressed and implemented.

Open: Work on the recommendation has not started, or cannot start because a precursor event has not occurred.

Open but in progress: Agency has taken action, but implementation of the recommendation is not complete.

Open and likely not to be pursued: Agency has no intention of pursuing implementation of the recommendation.

Not applicable: Recommendation is no longer applicable.

Did not assess: Did not assess recommendation implementation.

Summary of recommendations

Of the 14 recommendations in Report 13-09, nine were closed (64 percent) and five were open but in progress (36 percent). This report details each recommendation, its status, and actions taken related to the recommendation. Exhibit 1.1 shows the status of the 14 recommendations.

Exhibit 1.1**Status of Recommendations in Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai'i Tourism Authority***

Status of Recommendation	No. of Recommendations	Percent of Total
Closed	9	64%
Open	0	0%
Open but in progress	5	36%
Open and not likely to be pursued	0	0%
Not applicable	0	0%
Did not assess	0	0%
Total	14	100%

Source: Office of the Auditor

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Chapter 2

New HTA Management Continues to Improve Plans, Contract Oversight, and Reporting

Our follow-up review of Report No. 13-09, *Audit of Major Contracts and Agreements of the Hawai‘i Tourism Authority*, found that the Hawai‘i Tourism Authority (HTA) has implemented, or is in the process of implementing, all of our recommendations. For example, the authority developed a new long-term strategic plan with performance measures and goals and a single, comprehensive tourism marketing plan. In addition, policies and procedures to improve monitoring of contractors are in place, and new targets, benchmarks and the evaluation and reporting of HTA’s progress in promoting tourism are being finalized.

Background

Our 2013 audit of the Hawai‘i Tourism Authority was our third audit of the authority conducted pursuant to Section 23-13, Hawai‘i Revised Statutes (HRS), which requires the Auditor to conduct a management and financial audit of all contracts or agreements valued in excess of \$15 million awarded by the Hawai‘i Tourism Authority at least once every five years. In addition to major contracts, we reviewed all marketing contracts and the Hawai‘i Convention Center contract.

Lack of a cohesive marketing plan and poor reporting on measures of effectiveness impeded transparency

By law, the authority is responsible for developing and annually updating a tourism marketing plan that identifies marketing efforts and targets. It also must establish measures of effectiveness and document progress of the marketing plan in meeting strategic plan goals. This provision—Section 201B-6, HRS—is designed to hold HTA accountable for state tourism marketing efforts and, among other things, requires coordination of marketing plans of all destination marketing organizations that receive state funding prior to finalization of the authority’s marketing plan. We found that HTA’s “marketing plan” was nearly 600 pages, spread across more than a dozen documents, and fell short of statutory requirements.

In 2012, HTA spent \$42.5 million for marketing efforts to support the state’s tourism industry. The authority’s failure to adopt a statutorily satisfactory marketing plan, or propose amendments to its governing statute, showed an inattention to responsibilities attached to spending public money. By law, the authority is also required to develop measures of effectiveness and document the progress of its marketing plan toward meeting strategic goals. Our evaluation of HTA’s progress against measures of effectiveness required reviewing even more documents

and was slowed by missing targets, outdated benchmarks, and a lack of analysis by the authority. When we compared HTA's measures against its strategic goals, we found they did not align.

Contract monitoring needed improvements to ensure contractors' obligations and performance expectations

In 2012, HTA spent \$58.9 million on contracts and agreements. We found that without improved contract monitoring, HTA could not ensure that contractors were held accountable for the use of those taxpayer funds. The \$58.9 million spent includes \$42.5 million spent on marketing contracts for five major market areas (North America, Japan, Other Asia, Oceania, and Europe) and the Hawai'i Convention Center, and \$7.1 million spent on contracts for the Access program, which is designed to work with airlines and travel agencies to stimulate travel to Hawai'i during historically slow periods. The authority spent another \$9.3 million on Signature Events programs, which support major festivals and Hawaiian cultural and sporting events. However, we found that HTA lacked policies, procedures, and training needed to ensure consistent and efficient monitoring of its marketing contracts and Access and Signature Events programs. For example, HTA did not ensure that contractors submitted final reports and did not routinely conduct final evaluations of contractors. Contract files were also missing key reports.

New administration continues reform efforts started by its predecessor

The prior administration began efforts to implement our audit recommendations shortly after the release of Report No. 13-09. Even before statutory amendments were passed during the 2014 legislative session, HTA re-evaluated its strategic plan and performance measures and augmented its policies and procedures with internal controls, as well as increased training and implemented a new quality assurance process.

By mid-2015, the authority underwent major organizational changes. The authority hired a new president and chief executive officer, filled a newly created chief operating officer (COO) position, and appointed a new board chair. The former HTA vice president of Brand Management left the organization and the retitled vice president of Marketing and Product Development post was filled in January 2016.

The new administration was faced with the challenge of reducing staff by eight positions due to FY2016 budget reductions. However, the new leadership has continued to refine operations and work toward full implementation of almost all of the audit recommendations. In October 2015, HTA updated its strategic plan, which now aligns the authority's strategic goals with all 125 budget line items. In addition, a formal training program has been developed and additional internal controls for contract management have been implemented. Moreover, with the

assistance of a consultant, HTA is nearing adoption of new performance measures, policies and procedures regarding performance evaluation, and reporting of results.

Status of Recommendations

HTA has developed new strategic and brand management plans

Report No. 13-09 included 14 recommendations to the HTA Board of Directors and HTA's administration. We found that the authority has taken steps to implement all of these recommendations.

We recommended that the HTA Board of Directors ensure compliance with annual marketing plans as contained in its functional statement and the job description for the vice president (VP) of Brand Management. The authority has revised its functional statement by incorporating Sections 201B-3(b)(4) and 201B-7(b)(1), HRS.

The VP of Brand Management has been re-titled VP of Marketing and Product Development. The position job description makes clear that the VP is responsible for formulating and supervising the development of strategic tourism marketing plans and programs for the optimum development and implementation of the objectives, policies, and priority guidelines provided in the Hawai'i State plan for the visitor industry. In addition, the VP is responsible for formulating and maintaining a comprehensive marketing plan for the integrated and coordinated development of the visitor industry in Hawai'i, as well as the integration and alignment with the community. The VP also supervises, directs, and prepares marketing, or other related studies.

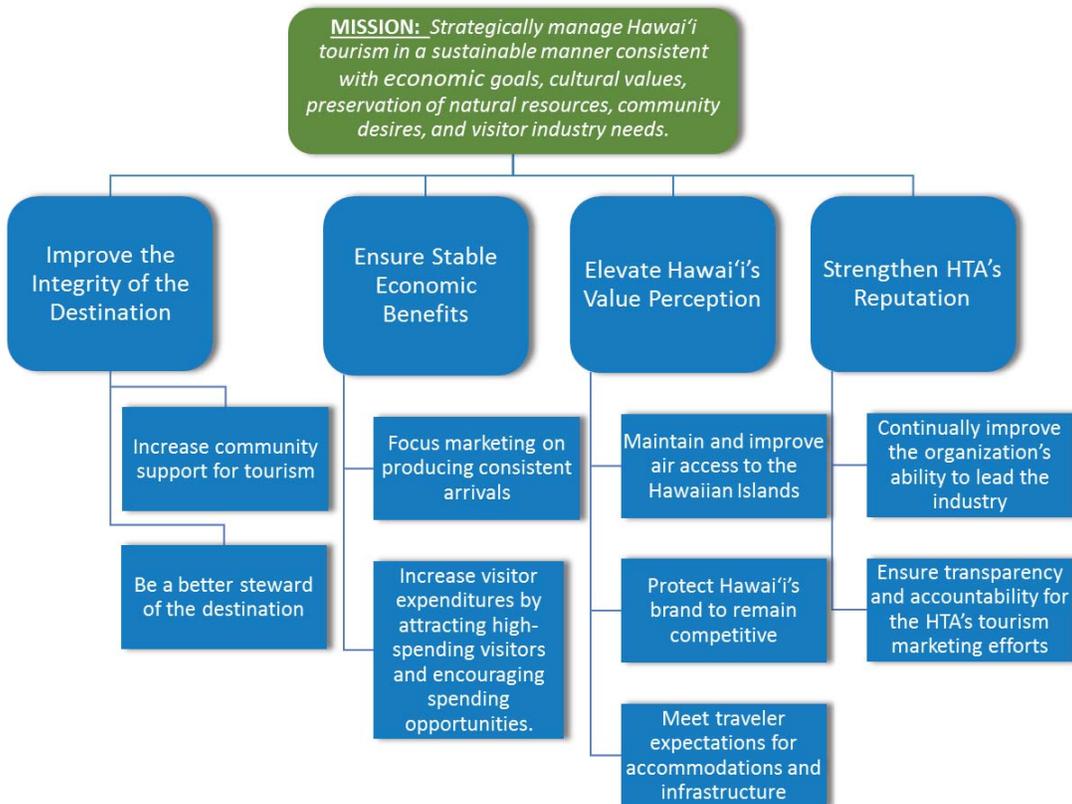
HTA has also created a new chief operating officer (COO) position, which was instituted, in part, to facilitate smoother and more cohesive operations and ensure improved oversight and controls over programs. The VP of Marketing and Product Development reports directly to the COO. Therefore, we deem Recommendation No. 1 **Closed**.

On October 29, 2015, the HTA board approved the Hawai'i Tourism Authority Strategic Plan. The plan presents goals, objectives, and strategies to increase economic activity, sustain the positive net benefits of tourism, grow visitor spending, and be an effective organization. The plan calls for action in four key areas:

- Improve the integrity of the destination;
- Ensure stable economic benefits;
- Elevate Hawai'i's value perception; and
- Strengthen HTA's reputation.

Exhibit 2.1 illustrates HTA’s strategic goals and strategies to increase economic activity, sustain positive net benefits of tourism, grow visitor spending, and be an effective organization.

**Exhibit 2.1
HTA Strategic Goals**



Source: Hawai'i Tourism Authority

In Report No. 13-09, we recommended that HTA administrators evaluate whether Section 201B-6, HRS, should be amended, and if so, propose such amendments to the Legislature. Act 131, signed into law on June 24, 2014, amended Section 201B-6(a), HRS, to now require the HTA tourism marketing plan to be a single, comprehensive document that must be updated every year. In addition, Section 201B-6(a), HRS, has been revised to delete the provision requiring the coordination of marketing plans of all destination marketing organizations receiving state funding *prior to* finalization of the authority’s marketing plan.

We found that the HTA Brand Management Plan 2016 is now a single, comprehensive document, which spans more than 1,000 pages. The bulk of the plan, a significant portion of which is confidential, consists of the appended individual marketing plans for HTA’s major market area contractors, which increased in number from five to nine. HTA’s past

practice of having marketing contractors submit their marketing plans with initiatives that conform with the authority's strategic and brand management plans is now in accordance with the new law. Therefore, we deem Recommendation No. 7 **Closed**.

Work to improve measures of effectiveness and evaluating results for the HTA board and Legislature continues

We recommended that the HTA board establish and periodically review the appropriateness of the authority's targets and benchmarks and ensure that its measures of effectiveness align with its strategic plan goals. We also recommended that HTA administrators ensure that documentation of progress of the authority's marketing plan is consolidated and includes an analysis of whether strategic goals were achieved.

In 2012, the authority started working on the new tourism strategic plan for 2016–2020. HTA contracted with John Knox & Associates (Knox) to provide a comprehensive report on any progress, or lack of progress, made in each of the nine strategic initiatives, its goals, objectives, strategic directions, and measures of success mentioned in the 2005–2015 Tourism Strategic Plan (TSP). As we found during our 2013 audit, the Knox report noted that the TSP had no available information for about 30 percent of the 53 measures, and a few of the available ones were of questionable use or validity. Knox also found that many measures lacked specific milestones and/or benchmarks to clarify exactly what should be achieved or maintained. In addition, Knox noted that measures of success were not individually tied to any specific objectives or strategic direction.

SMS Consulting (SMS) was also contracted by the authority to examine the four high-level measurements of success in the 2005–2015 Tourism Strategic Plan, namely:

- Resident sentiment;
- State and County tax receipts;
- Visitor spending; and
- Visitor satisfaction.

SMS noted that specific measurable objectives were not established and recommended options to HTA for meaningful outcome measures that recognize external forces that affect tourism and the cyclical nature of the industry.

In November 2014, HTA issued a request for proposal (RFP) seeking a qualified contractor to develop program monitoring and evaluation processes for the HTA. In May 2015, SMS was awarded the contract

to consult and work with the HTA staff to develop such processes. Consistent with the SMS contract, changes were made to key performance indicators (KPI), focusing on measurable and accountable criteria. HTA began including the improved KPIs in recently issued RFPs for six market areas (China, Taiwan, Korea, Oceania, Europe, and Southeast Asia).

SMS also developed a detailed logic model for major markets, which was reviewed and approved by HTA. The model presents the relationships between the inputs (programs), outputs (activities) and outcomes (performance and productivity measures), and their contribution to the strategic plan. SMS is currently drafting logic models for the remaining programs: Hawaiian Culture, Natural Resources, Product Development, and Signature Events. The goal is to have similar outcome measures across the different types of events to enable consistent evaluation.

We found that HTA continues to use the same report card and dashboards, with outdated benchmarks and lack of targets with meaningful analysis. However, SMS is finalizing a new report card, dashboards, and survey evaluation questions to be used by the authority. SMS' contract work also includes the development of evaluation reports to the HTA board and Legislature. SMS anticipates having all the evaluation measures clearly stated, with specific goals to be updated and consistent with the Brand Management Plan in time for production of the 2017 Brand Management Plan.

Therefore, since HTA's efforts to improve performance measures, evaluation, and reporting are not fully complete, we deem Recommendation Nos. 3, 4, and 6 **Open but in progress**.

Most policies and procedures have been implemented, while others are still being developed

In Report No. 13-09, we found that the HTA lacked policies, procedures, and guidelines for complying with state tourism marketing plan requirements and for documenting its progress in achieving strategic goals. We also found that there were no policies, procedures, and training to ensure consistent and efficient monitoring of its marketing contracts and Access and Signature Events programs.

We recommended that the HTA Board of Directors adopt and implement policies to ensure compliance with Sections 201B-6(a) and (b), HRS. The authority contends that it implemented this recommendation with the October 29, 2015, approval of its strategic plan, which includes the HTA Annual Work Cycle. The work cycle illustrates the eight phases of the authority's decision-making and implementation process. The authority noted that this section also includes definitions of each phase along with the task(s) to accomplish, timing, and critical measures. We concur that its actions achieve the intended results of our recommendation.

Therefore, we deem Recommendation No. 2 **Closed**; however, we urge the authority to formalize the work cycle and its policies and procedures in addition to including it in its strategic plan, which is replaced on a regular basis.

Exhibit 2.2 shows the HTA Annual Work Cycle.

Exhibit 2.2
HTA Annual Work Cycle



Source: Hawai'i Tourism Authority

We also recommended that the HTA board develop and implement policies governing marketing contract monitoring to ensure tourism brand managers are consistent in performing reviews of annual marketing plans and that all contract files contain key deliverables. Various procurement and contract management policies and procedures have been adopted and implemented to guide the authority staff. Therefore, we deem Recommendation No. 5 **Closed**.

We recommended that HTA administrators develop and implement procedures to ensure compliance with Sections 201B-6(a), and -6(b), HRS. Section 201B-6(a), HRS, requires the authority to develop a single, comprehensive tourism marketing plan to include program

performance goals and targets that can be monitored as market gauges and used as attributes to evaluate the authority's programs. Section 201B-6(b), HRS, requires the authority to develop measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan and include documentation of the progress of the marketing plan towards achieving the authority's strategic plan goals. As previously mentioned, the authority's consultant, SMS, is finalizing the new report card, dashboards, and survey evaluation questions as well as developing evaluation reports to the HTA board and Legislature. SMS anticipates the evaluation measures will be clearly stated, with specific goals to be updated and consistent in time for inclusion into the 2017 Brand Management Plan. Therefore, we deem Recommendation No. 8 **Open but in progress.**

We also recommended that HTA develop and implement procedures for monitoring marketing contracts to ensure tourism brand managers are consistent in performing reviews of annual marketing plans and that all contract files contain key deliverables. The authority has focused on key policies and procedures that provide more specific internal controls, increased training, and better quality assurance. RFPs now include schedules for KPIs and schedules of all campaigns and activities that the contractor will accomplish during the contract period. This is a new process that facilitates brand managers' monitoring of contract deliverables and obligations. In addition, major market contracts have transitioned from multi-year terms to one-year terms with HTA retaining an option to renew. This provides HTA with more control over contracts and the flexibility to terminate non-performing contractors. Therefore, we deem Recommendation No. 9 **Closed.**

We recommended that HTA adopt a formal training program to ensure consistency among tourism brand managers when performing reviews of annual marketing plans and monitoring key deliverables. We found that the authority has established in-house contract management and KPI training. In addition, staff members have enrolled in project management courses at the University of Hawai'i and are working toward Destination Management and Marketing certifications. In December 2015, the authority held an orientation for all major market contractors that included an overview of HTA programs and their alignment with the strategic plan. The orientation also addressed contracting and financial policies, including HTA contracting processes, expected deliverables, contractor performance, and increased financial controls. The authority recognized that aligning contractors with the changes in contract management and compliance was important in moving the organization forward. Therefore, we deem Recommendation No. 10 **Closed.**

We made four recommendations to HTA administrators to improve monitoring of Access and Signature Events contracts and agreements as follows:

- Use a checklist to document all deliverables, payments and reports;
- Establish a quality assurance process;
- Withhold a portion of the final payment to contractors pending submission of a final report; and
- Prepare a final evaluation for potential use as an evaluation element when deciding future contract awards.

Brand managers and administrative assistants are responsible for preparing the Contract/Letter of Agreement (LOA) Checklist and Contract Closeout Checklist. These checklists provide details of all contract payments and deliverables tied to each payment. Brand managers work with administrative assistants in reviewing the contracts and agreements to ensure that all deliverables are included in the checklists. The checklists and deliverables are then scanned and uploaded to the authority's financial operating system. The fiscal office will not disburse payments until the scanned documents are checked. Therefore, we deem Recommendation No. 11 **Closed**.

In April 2014, the authority implemented a new quality assurance policy to maintain an effective and efficient quality control process designed to eliminate deficiencies and inaccuracies. A quality assurance (QA) specialist was hired in July 2014. The position is responsible for reviewing quality standards, recommending and drafting updates to policies and procedures, training the HTA staff, and auditing operations for proper quality assurance and statutory compliance. The QA specialist is already conducting internal audit reviews of all contracts and agreements and is drafting a contract file audit checklist and formal QA procedures. Therefore, we deem Recommendation No. 12 **Open but in progress**.

Contracts now state that payment is contingent upon submission of all required reports described in the RFP. Standard practice now is to withhold a minimum of 10 percent of the contract price until HTA receives a final report and all deliverables have been met. In addition, the fiscal office will not disburse final payment without a final report. Therefore, we deem Recommendation No. 13 **Closed**.

Final Evaluations are now required for all contracts to determine whether the contractor has performed the services sufficiently and satisfactorily to fulfill the contract terms. The evaluation includes lessons learned and recommendations for future consideration. The contract/LOA checklist now includes a final staff evaluation as a requirement. Therefore, we deem Recommendation No. 14 **Closed**.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
Recommendations to HTA's Board of Directors			
(1) Ensure compliance with annual marketing plan requirements contained in its functional statements and in the job description of its vice president for brand management.	HTA's functional statement states that the authority, specifically, the VP of Brand Management, is responsible for developing and implementing the state's tourism marketing plan and efforts.	Closed	<p>The authority has revised its functional statement by incorporating Sections 201B-3(b)(4) and 201B-7(b)(1), HRS.</p> <p>Job description makes clear that the VP is responsible for formulating and maintaining a comprehensive marketing plan.</p>
(2) Adopt and implement policies to ensure compliance with Sections 201B-6(a) and -6(b), HRS.	HTA lacked policies, procedures, and guidelines for complying with state tourism marketing plan requirements and for documenting its progress in achieving strategic goals.	Closed	The HTA board has not established a separate policy; however, HTA adopted an annual work cycle, included in the new strategic plan, which addresses the substance of this recommendation.
(3) Ensure that the authority's measures of effectiveness align with its strategic goals.	The authority's measures of effectiveness monitored the overall performance of Hawai'i's tourism market rather than progress against the authority's strategic goals.	Open but in progress	<p>HTA has hired a contractor to consult and work with the HTA staff to develop a monitoring and evaluation program. Changes were made to KPIs, focusing on directly measurable and accountable criteria.</p> <p>The contractor is finalizing a new report card, dashboards, and developing evaluation reports to the HTA Board and Legislature.</p>

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(4) Establish and periodically review the appropriateness of HTA's strategic plan targets and benchmarks.	The strategic plan did not establish targets against which to assess the performance of each indicator. Report card indicators compared performance against outdated benchmarks and KPIs.	Open but in progress	Same as No. 3 above.
(5) Develop and implement policies governing marketing and contract monitoring to ensure tourism brand managers are consistent in performing reviews of annual marketing plans and that all contract files contain key deliverables.	HTA lacked policies, procedures, and training needed to ensure consistent and efficient monitoring of its marketing contracts and Access and Signature Events programs.	Closed	Various procurement and contract management policies and procedures have been adopted and implemented to guide the authority.
Recommendations to HTA administrators			
(6) Ensure that documentation of progress of the authority's tourism marketing plan is consolidated and includes analysis of whether strategic goals were achieved.	A lack of benchmarks and analysis of progress against strategic goals undermine efforts to track and assess HTA's performance.	Open but in progress	SMS' contract work also includes the development of evaluation reports to the HTA board and Legislature. SMS anticipates having all the evaluation measures clearly stated, with specific goals to be updated in time for the release of the 2017 Brand Management Plan.
(7) Evaluate whether Section 201B-6, HRS, should be amended, and if so, propose such amendments to the Legislature.	<p>HTA's "marketing plan" consisted of 578 pages spread across 15 different documents.</p> <p>Contractor marketing plans were adopted in conformance with the HTA strategic plan, in contravention of Section 201B-6b, HRS, which required the coordination of marketing plans of all destination marketing organizations receiving state funding <i>prior to</i> finalization of the authority's own marketing plan.</p>	Closed	Act 131, signed into law on June 24, 2014, amended Section 201B-6(a), HRS, now requires the HTA tourism marketing plan to be a single, comprehensive document. In addition, Section 201B-6a(5), HRS, requiring the coordination of marketing plans of all destination marketing organizations receiving state funding <i>prior to</i> finalization of the authority's marketing plan has been deleted from the statute.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(8) Develop and implement procedures to ensure compliance with Sections 201B-6(a), and -6(b), HRS.	Same as No. 7 above.	Open but in progress	SMS' contract work also includes the development of evaluation reports to the HTA board and Legislature. SMS anticipates having all the evaluation measures clearly stated, with specific goals to be updated in time for the release of the 2017 Brand Management Plan.
(9) Develop and implement procedures for monitoring marketing contracts to ensure tourism brand managers are consistent in performing reviews of annual marketing plans and that all contract files contain key deliverables.	<p>There were no policies and procedures for contract monitoring of marketing contracts, Access and Signature Events.</p> <p>There was no evidence in contractors' files that tourism brand managers were holding contractors accountable for marketing plan obligations.</p>	Closed	HTA has focused on key policies and procedures that provide specific internal controls, increased training, and better quality assurance. RFPs now include schedules for key performance indicators and schedules of all campaigns and activities that the contractor will accomplish during the contract period.
(10) Adopt formal training procedures for tourism brand managers.	HTA lacked formal training for brand managers who are charged with overseeing marketing contracts, and Access and Signature Events programs.	Closed	The authority has established in-house contract management and KPI training. In addition, staff members are working toward destination management and marketing certifications.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
<p>(11) Ensure that brand managers use a checklist to document all deliverables, contract payments, and final reports for all Access and Signature Events program contracts.</p>	<p>Final reports for the Access program submitted by some contractors did not address all target measures indicated in their proposals; and two contractors did not submit final reports at all.</p>	<p>Closed</p>	<p>Brand managers and administrative assistants are responsible for the preparation of the Contract/LOA (Letter of Agreement) Checklist and Contract Closeout Checklist. These checklists provide details of all contract payments and deliverables tied to each payment.</p> <p>The checklists and deliverables are then scanned and uploaded to the authority's financial operating system before payments are made.</p>
<p>(12) Ensure that brand managers establish a quality assurance process for reviewing final reports to ensure all deliverables stated in contract proposals are addressed and reported to management. If final reports fail to address measures of success or other evaluation criteria, they should be returned to contractors for correction.</p>	<p>The majority of contractors' files did not contain all required reports.</p> <p>Annual marketing plans were not filed in contractors' files.</p> <p>Five of nine co-op contract files we reviewed were missing final reports.</p>	<p>Open but in progress</p>	<p>The authority implemented a new quality assurance policy to maintain an effective and efficient quality control process designed to eliminate deficiencies and inaccuracies. A QA specialist is conducting internal audit reviews of all contracts and agreements, and also drafting formal QA procedures.</p>
<p>(13) Ensure that brand managers withhold a portion of the final payment to major market area contractors for co-op agreements pending submission of a complete final report.</p>	<p>Five of the seven final reports submitted did not include a comparison of the measures-of-success indicators reflected in the proposals against the actual results in final reports.</p>	<p>Closed</p>	<p>Contracts now state that payment is contingent upon submission of all required reports described in the RFP. Standard practice now is to withhold a minimum of 10 percent of the contract amount until HTA receives a final report and all deliverables have been met. The fiscal office will not disburse final payment without a final report.</p>

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(14) Ensure that brand managers prepare a final evaluation for all Access and Signature Events program contracts for potential use as an evaluation element when deciding future contract awards.	Final evaluations were prepared by HTA staff for direct Access agreements, but not for major marketer co-ops or Signature Events.	Closed	Final evaluations are now required for all contracts to determine whether the contractor has performed the services sufficiently and satisfactorily to fulfill the contract terms.