

**Management and Financial Audit of  
the Hawai‘i Tourism Authority’s  
Major Contracts**

Report No. 09-02  
January 2009

**Focused on 3 multi-year contracts  
each over \$15 million**

HVCB	North America	\$117,944,035
HTJ	Japan	\$ 37,760,865
SMG	Convention Center operations & marketing	\$ 81,918,426 <u>\$ 31,800,000</u> \$ 269,423,326

## **HTA's mission**

To strategically manage Hawai'i tourism in a sustainable manner consistent with our

- economic goals,
- cultural values,
- preservation of natural resources,
- community desires, and
- visitor needs.

**HTA's chief responsibility:**

Create a vision of Hawai'i's tourism and develop a strategic plan of its own that serves as a roadmap for its organization & partners.

## **Audit Objectives**

1. Assess HTA's planning process to guide its activities and those of its contractors.
2. Evaluate the adequacy of HTA's measures of effectiveness in providing a basis for performance assessments and an assurance that taxpayers receive value for the funds invested.

## **Audit Objectives**

3. Determine HTA's effectiveness in ensuring that its major contractors' activities are in accordance with applicable laws, rules, and terms of each contract.
4. Determine the degree to which recommendations of past audits have been implemented.
5. Make recommendations as appropriate.

**Finding No. 1**

A year-to-year approach to tourism policy hinders the HTA's ability to strategically manage the long-term growth of Hawai'i's visitor industry.

## **Problems**

- No functional strategic plan.
- Annual budget plan lacks performance goals & targets.
- Annual budget provides no long-term strategies to fulfill Tourism Strategic Plan 2005-2015 goals.



## Criteria

- GAO says government managers should:
  - demonstrate public resources were used properly;
  - prove that their entity has met objectives and services were effectively and efficiently provided.
  
- Best practices suggest a minimum three years beyond the budget period to develop strategic direction.

## **Effect**

By choosing to map out their strategy and appropriate funds on a year-to-year basis, HTA officials have returned to the approach to tourism promotion it was created to replace.

HAWAII  
TOURISM  
STRATEGIC  
PLAN

2005-2015

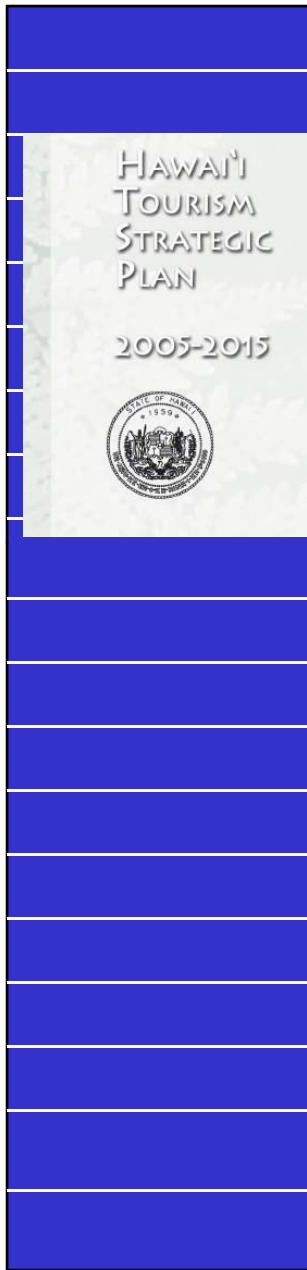


## **Hawai‘i Tourism Strategic Plan (TSP): 2005-2015**

- Overall state plan with nine initiatives.
  - HTA is responsible for TSP marketing initiative.
- “the HTA, as the lead tourism agency, [would] update its own plan . . . , to identify specific action & implementation strategies . . . .”

# **Hawai‘i Tourism Strategic Plan 2005-2015**

Marketing Goal: To develop marketing programs  
that contribute to sustainable economic growth.



HAWAII  
TOURISM  
STRATEGIC  
PLAN

2005-2015



## Examples of TSP marketing objectives:

- Increase % of total business visitor expenditures by . . . growing meetings market;
- Focus on best prospects to counter competitors' larger budgets by . . . developing a brand image that portrays Hawai'i as a one-of-a kind destination.

**Finding No. 2**

HTA's role as the lead entity and advocate of the tourism industry in Hawai'i's is significantly weakened by its inability to provide measurable results for its major marketing contractors.

## **Major Market Segments Budget Allocations 2007**

North American (US, Canada)	\$ 22,363,000
Japan	\$ 7,700,000
Asia (Korea, China, Taiwan)	\$ 1,070,000
Europe (UK, Germany, France Italy, Switzerland)	\$ 883,000
Oceania (Australia, New Zealand)	\$ 879,994
Meetings market (HVCB/SMG)	\$ 9,064,000
Sporting events (PGA, Pro Bowl)	\$ 7,700,000

## **HTA is ultimately accountable**

- HTA does not provide measurable results for its major contractors.
- HTA relies on contractors to set their own performance targets and goals.
- Nowhere in HVCB & HTJ contracts are goals and objectives clearly defined.



## **Visitor program effectiveness is difficult but not impossible to measure**

- HTA's plans lack quantifiable, objective benchmarks linking the activities and resources spent by HTA and its contractors to pre-determined outcomes.
  
- In *Standard CVB Performance Reporting* the Destination Marketing Association International developed best practice for performance reporting.
  - Benchmarks and indicators of advertising campaigns such as a campaign's influence in decision to visit, or provide a dollar return on investment.

## **Effect**

- Absent objectively determined results, the effectiveness of taxpayer funds spent on promoting Hawaii's most important industry cannot be demonstrated.
- Without a strategic plan that maps out the long-term goals and processes to assess its major contractors, HTA is unable to show that \$270 million was spent purposefully and effectively.

## **Performance evaluations and renewal process lack evidence of scrutiny**

- Without objective measures, there can be no objective scrutiny of contractors' performance.
- HTA uses a 360 evaluation and preference of visitors study to serve as basis of staff opinion and contract renewal decisions.
- HTA uses a survey that measures a preference to travel to Hawai'i, but cannot determine if that preference resulted in an actual visit.

## **How do other states measure effectiveness?**

Montana, Texas, and Louisiana identify within their respective strategic plans measurable objective outcomes and benchmarks.



**MONTANA**  
BIG SKY COUNTRY



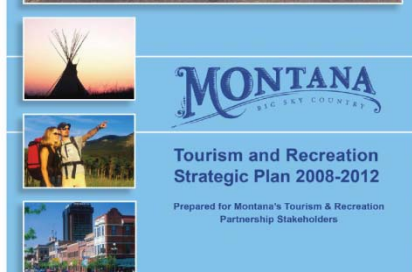
Tourism and Recreation  
Strategic Plan 2008-2012



Prepared for Montana's Tourism & Recreation  
Partnership Stakeholders

# Montana's Tourism & Recreation Strategic Plan 2008-2012

- Economic objectives:
  - Increase tax collections by 6% per year (\$16.1 million in '06 to \$22.8 million in '08)
  - Improve hotel occupancy (59.5% in '06 to 63.0% in 2012)
  - Increase tourism jobs by 2%



## Montana's marketing objectives in strategic plan 2008-2012

- Focus on partnerships and booking targets:
  - Leverage \$4 million in Travel Montana advertising into \$10 million in media value.
  - Generate at least \$500,000 in private sector participation in ad and promo efforts.
  - Generate publicity worth \$14 million in advertising annually.

**Strategic Tourism Plan  
Fiscal Year 2008**

Developed under the Memorandum of Understanding



Office of the Governor  
Economic Development & Tourism

Return on  
Investment (ROI)

=

Taxes Generated From Travel Dollars Spent  
Marketing Dollars Invested

## **Louisiana's Office of Tourism Marketing Objectives FY08-09 to FY12-13**

- Increase visitors by 40% from 18.7million in 2005 to 26.5 million in 2013.
- Increase jobs in tourism industry by 20% from 110,000 in 2005 to 132,000 in 2013.



## **Finding No. 3**

- Despite better oversight to reduce risk in contract management, weaknesses remain.
  - A lack of adequate safeguards resulted in over and under payments in performance-based bonuses paid to HVCB employees.
  - HTJ was not consistently held to the terms of contract, waiving provisions calling for audited financial statements or notifying HTA of transactions over \$75,000.
  - Nearly half of SMG transactions reviewed lacked evidence that competitive procurement requirements were followed.

## **Recommendations**

- Develop action plan that gives a clear picture of the HTA's long-term direction with quantifiable, objective benchmarks linking activities and resources spent to pre-determined outcomes.
- Incorporate objectively measurable outcomes into major contractors' agreements, annual plans, evaluations, and renewal discussions.