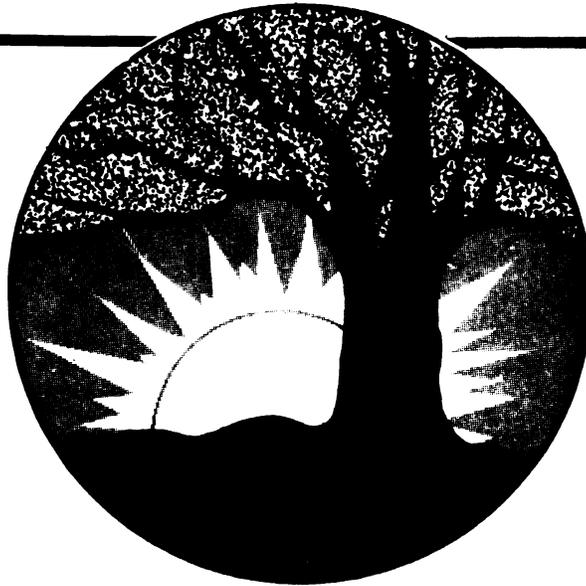


# PERFORMANCE AUDIT

Department of Tourist Development  
August 2012



Justin P. Wilson  
Comptroller of the Treasury



State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of State Audit

*Arthur A. Hayes, Jr., CPA, JD, CFE*  
Director

*Deborah V. Loveless, CPA, CGFM*  
Assistant Director

*Diana Jones, CGFM*  
Audit Manager

*Julie Maguire Vallejo, MPA*  
In-Charge Auditor

*Amy Brack*  
Editor

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-1402  
(615) 401-7897

Performance audits are available online at [www.comptroller.tn.gov/sa/AuditReportCategories.asp](http://www.comptroller.tn.gov/sa/AuditReportCategories.asp).  
For more information about the Comptroller of the Treasury, please visit our website at  
[www.comptroller.tn.gov](http://www.comptroller.tn.gov).



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7897  
FAX (615) 532-2765

August 2, 2012

The Honorable Ron Ramsey  
Speaker of the Senate  
The Honorable Beth Harwell  
Speaker of the House of Representatives  
The Honorable Mike Bell, Chair  
Senate Committee on Government Operations  
The Honorable Jim Cobb, Chair  
House Committee on Government Operations  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of Tourist Development. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the department should be continued, restructured, or terminated.

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director

AAH/dlj  
12-028

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit  
**Department of Tourist Development**  
August 2012

---

## AUDIT OBJECTIVES

The objectives of the audit were to determine the process for evaluating contractors to determine how they were selected, the extent to which they are monitored, and the procedures in place to ensure appropriate services are being provided; to determine the extent to which grant funds provided to regional tourism associations are evaluated and monitored; to determine whether the enabling legislation matches the department's current responsibilities; and to review operations at the department's welcome centers to determine if functions are being carried out consistently across the state, and to review the relationship between the welcome centers and rest areas (operated by the Tennessee Department of Transportation) and determine the differences between the two.

## OBSERVATIONS AND COMMENTS

The audit discusses the following issues: the department appears to have appropriate contract and grant monitoring processes in place to ensure that services are delivered in compliance with the contract; the welcome centers operated by the department consistently provide travelers with a clean and comfortable environment and access to tourist information related to Tennessee; and the department's enabling legislation does not accurately reflect its current responsibilities and, as such, may need to be amended (page 14).

## ISSUES FOR LEGISLATIVE CONSIDERATION

Because portions of *Tennessee Code Annotated* related to the Department of Tourist Development have not been amended since they were first enacted in 1976 and, as a result, reference powers and responsibilities that are no longer within the department's purview, the General Assembly may wish to consider revising Section 4-3-2003 and repealing Section 4-3-2005 (page 26).

# Performance Audit Department of Tourist Development

---

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>INTRODUCTION</b>	1
Purpose and Authority for the Audit	1
Objectives of the Audit	1
Scope and Methodology of the Audit	2
Organization and Statutory Responsibilities	2
Revenues and Expenditures	4
Measuring the Impact of Tourism on the State’s Economy	6
A Snapshot: Then and Now	6
Department Initiatives	7
<b>OBSERVATIONS AND COMMENTS</b>	14
The Department of Tourist Development Appears to Have Appropriate Contract and Grant Monitoring Processes in Place to Ensure That Services Are Delivered in Compliance With the Contract	14
The Welcome Centers Operated by the Department of Tourist Development Consistently Provide Travelers With a Clean and Comfortable Environment and Access to Tourist Information Related to the State of Tennessee	18
The Department’s Enabling Legislation Does Not Accurately Reflect Its Current Responsibilities and, As Such, May Need to Be Amended	25
<b>RECOMMENDATION</b>	26
Legislative	26
<b>APPENDICES</b>	27
Appendix 1 - Title VI and Other Information	27
Appendix 2 - Performance Measures Information	28
Appendix 3 - Excerpts from <i>The Economic Impact of Travel on Tennessee Counties</i>	30
Appendix 4 - List of Trails by County	32

# **Performance Audit Department of Tourist Development**

---

## **INTRODUCTION**

---

### **PURPOSE AND AUTHORITY FOR THE AUDIT**

This performance audit of the Department of Tourist Development was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-234, the Department of Tourist Development is scheduled to terminate June 30, 2013. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the Department of Tourist Development should be continued, restructured, or terminated.

### **OBJECTIVES OF THE AUDIT**

The objectives of the audit were

1. to determine the process for evaluating contractors and to determine how they were selected, the extent to which they are monitored, and the procedures in place to ensure appropriate services are being provided;
2. to determine the extent to which grant funds provided to regional tourism associations are evaluated and monitored;
3. to determine whether the enabling legislation matches the department's current responsibilities;
4. to review operations at the department's welcome centers to determine if functions are being carried out consistently across the state, and to review the relationship between the welcome centers and rest areas (operated by the Tennessee Department of Transportation) and determine the differences between the two.

## **SCOPE AND METHODOLOGY OF THE AUDIT**

The activities of the Department of Tourist Development were reviewed with a focus on the period July 1, 2010, through December 31, 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Methods used included

1. review of applicable legislation and policies and procedures;
2. reviews of prior audit reports and documentation;
3. examination of the entity's records, reports, and information summaries;
4. interviews with department staff; and
5. site visits to selected welcome centers and rest areas.

## **ORGANIZATION AND STATUTORY RESPONSIBILITIES**

The Department of Tourist Development was created in 1976 by Section 4-3-2201, *Tennessee Code Annotated*, and has the responsibilities for developing and implementing the marketing services to support travel and tourism in Tennessee, managing a statewide system of welcome centers, and providing for the administration of programs. The mission of the department is to “create and promote the desire to travel to and within Tennessee, to develop programs to encourage and support the growth of the state’s tourism industry, to manage a system of welcome centers that provides visitors with a positive impression of Tennessee, and to encourage them to extend their stay, all of which contributes to the state’s economic growth thereby enriching the quality of life for every Tennessean.” The department is divided into two program areas, Marketing and Administration. See organization chart on page 3.

### **Marketing**

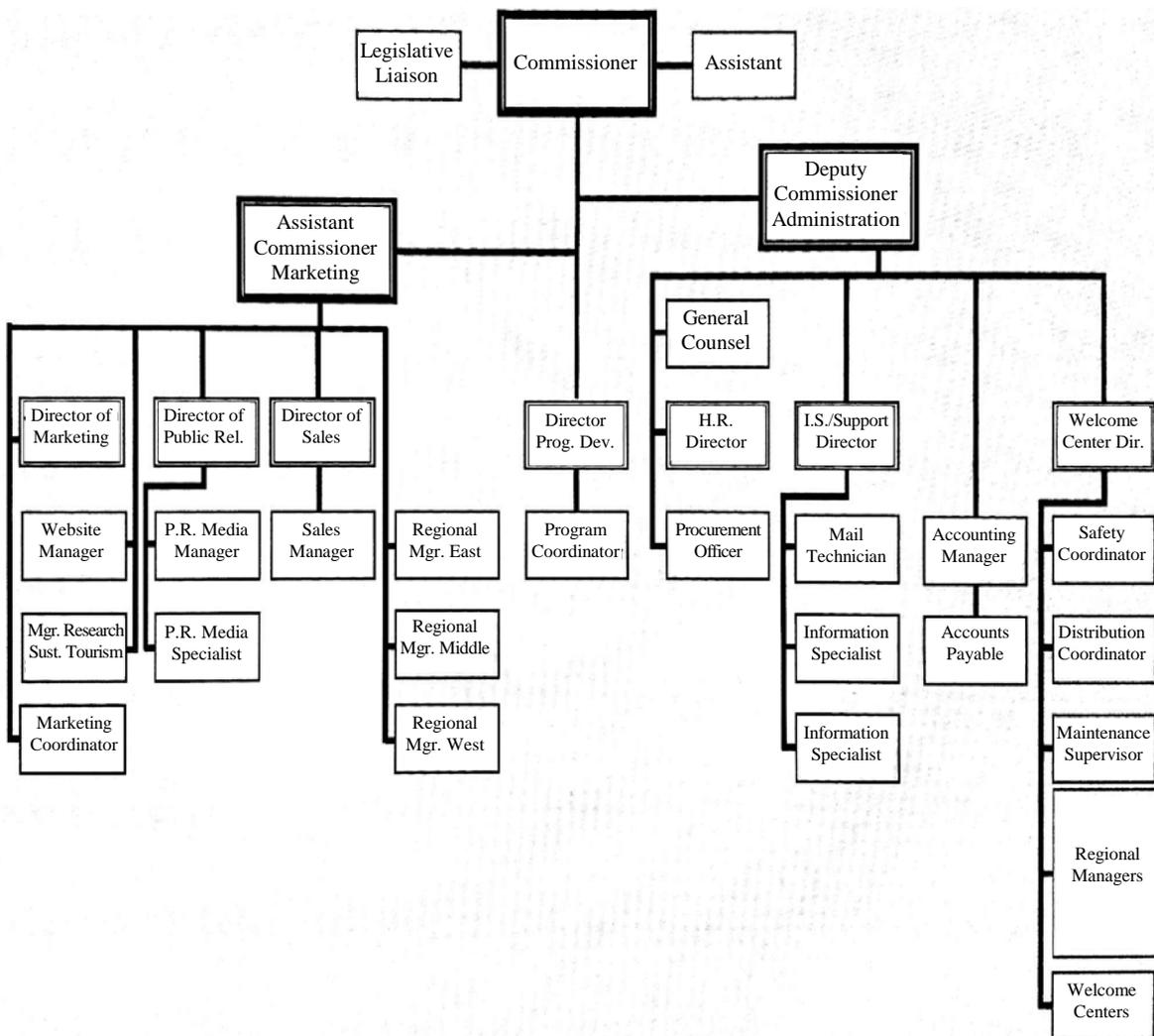
The Marketing Division is responsible for planning, managing, and implementing marketing programs that increase the economic impact of tourism on the state’s economy. The marketing activities are designed to enhance Tennessee’s image as a primary tourist destination. These activities include creating, producing, and placing broadcast and print media campaigns; developing direct sales programs that target group tour companies, travel agents, and international tour operators; promoting Tennessee to the media and national travel press by writing and distributing camera-ready travel articles and sponsoring travel writer press trips to Tennessee locations; developing promotional brochures and travel literature for distribution to customers; collecting travel data and developing marketing research information; developing rural heritage tourism promotional opportunities by directly working with local communities; and

providing cooperative advertising, marketing, and promotional opportunities to businesses in the travel industry.

### Administration

The Administration Division is responsible for the overall administration of the department, including financial services, information systems, and support services. The responsibility for the welcome centers is also housed in this division.

Organization Chart  
June 2011



*Information Systems and Support Services*

Information Systems and Support Services provide services to internal department staff, the tourism industry, and the traveling public. Tennessee information specialists provide reception services for the department and respond to more than 15,000 information requests annually. Computerized address verification systems and in-house mail and shipping services ensure accuracy and expediency in the delivery of promotional materials. In addition to responding to requests for information, the division also manages the contract for the call center that is responsible for responding to additional information requests originating from the department’s website, online advertising, and the department’s toll-free number. Internally, Information Systems and Support Services provides infrastructure support to central office staff in Nashville, regional office staff in Knoxville and Jackson, and the department’s 14 welcome centers.

*Welcome Centers*

The Department of Tourist Development operates 14 welcome centers across Tennessee. According to Section 4-3-2209(b), *Tennessee Code Annotated*, the department “is encouraged to make Tennessee’s welcome centers a place for travelers to enjoy and linger as tired limbs are stretched and eyes are rested.” The welcome centers serve as a showcase for displaying a variety of brochures and travel literature from travel industry businesses. The welcome center travel hosts and hostesses serve as front-line ambassadors for the state and in that capacity encourage visitors to extend their travel plans in Tennessee. The maintenance staff at each center are responsible for the maintenance of the facilities and grounds and have the primary responsibility of providing travelers with a clean and comfortable environment. Each center includes vending machines, picnic areas, and information systems that provide national weather information.

**REVENUES AND EXPENDITURES**

**Statement of Revenues and Expenditures  
Actual Revenues by Source  
For the Fiscal Year Ended June 30, 2010**

<i>Source</i>	<i>Amount</i>	<i>Percent of Total</i>
State	\$11,188,200	64%
Federal	0	0%
Other	6,304,300	36%
<b>Total Revenue</b>	<b>\$17,492,500</b>	<b>100%</b>

**Actual Expenditures by Account  
For the Fiscal Year Ended June 30, 2010**

<i>Account</i>	<i>Amount</i>	<i>Percent of Total</i>
Payroll	\$ 6,611,900	38%
Operational	10,880,600	62%
<b>Total Expenses</b>	<b>\$17,492,500</b>	100%

**Statement of Revenues and Expenditures  
Actual Revenues by Source  
For the Fiscal Year Ended June 30, 2011**

<i>Source</i>	<i>Amount</i>	<i>Percent of Total</i>
State	\$10,814,100	60%
Federal	0	0%
Other	7,101,200	40%
<b>Total Revenue</b>	<b>\$17,915,300</b>	100%

**Actual Expenditures by Account  
For the Fiscal Year Ended June 30, 2011**

<i>Account</i>	<i>Amount</i>	<i>Percent of Total</i>
Payroll	\$6,965,200	39%
Operational	10,950,100	61%
<b>Total Expenses</b>	<b>\$17,915,300</b>	100%

**Estimated Revenues by Source  
For the Fiscal Year Ending June 30, 2012**

<i>Source</i>	<i>Amount</i>	<i>Percent of Total</i>
State	\$12,650,200	62%
Federal	0	0%
Other	7,762,400	38%
<b>Total Revenue</b>	<b>\$20,412,600</b>	100%

## **MEASURING THE IMPACT OF TOURISM ON THE STATE'S ECONOMY**

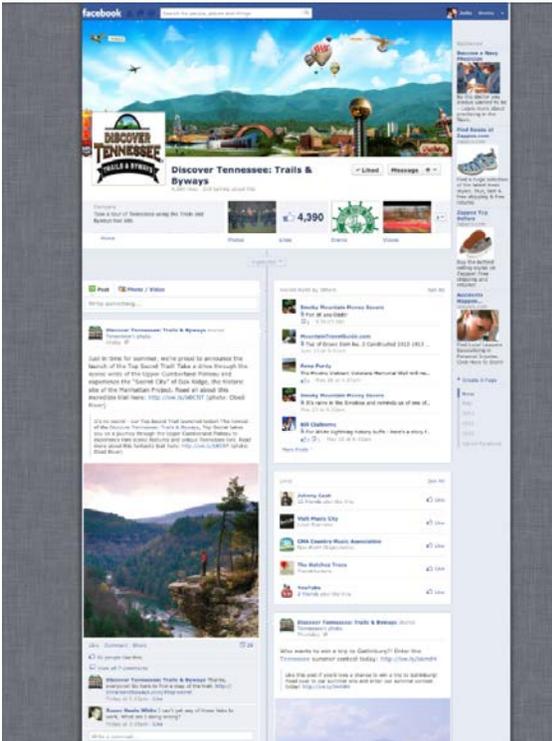
When reporting on the impact of travel on Tennessee's economy, the Department of Tourist Development uses information prepared by the Research Department of the U.S. Travel Association, which has been compiling information for the department since 1994. *The Economic Impact of Travel on Tennessee Counties*, published in October 2011, provides an overview of the economic effect of travel on Tennessee's economy, both statewide and by county for calendar year 2010. The statewide measure estimates the impact of both domestic and international traveler spending in Tennessee while the county-level data only reflect the impact of domestic traveler spending. The October 2011 report noted that for 2010, travel spending in Tennessee by both domestic and international travelers contributed approximately \$14.1 billion to the state's economy, up 6.3 percent from 2009. International travel expenditures increased to \$392.7 million, a 6.8 percent gain. This report also noted that during 2010, travel-related expenditures increased throughout all 95 counties in Tennessee. See Appendix 3 for an explanation of how these measures are calculated as well as information on total direct domestic and international travel expenditures in Tennessee for 2000 through 2010 and for the domestic travel impact on the top five counties in Tennessee.

### **A SNAPSHOT: THEN AND NOW**

The last performance audit of the Department of Tourist Development was published in July 1995. Since that time, the department has changed dramatically, most notably in the means used to provide tourism information to the public. In 1995, telemarketing and mailing printed vacation guides were the primary means of communication between the department and interested tourists. While the call services and printed media guides still play a role in disseminating tourism information, during the scope of this review it was apparent that the department (in collaboration with its online media vendor) has developed a vibrant and interactive online presence to provide tourism information to interested parties. In conversations with department personnel, auditors learned that continuing advances in technology require ongoing adjustments to the department's website ([www.tnvacation.com](http://www.tnvacation.com)). For example, department personnel explained that during the last fiscal year there was a huge shift in measurables that moved the department's focus beyond simply tracking information about the number of visitors to the site and the time spent on the site to measuring "engagement" with the site (e.g., people writing on message walls). Department personnel reported that this development was true for the industry as a whole. In order to stay at the forefront of developing media trends, the department needs to be able to broker partnerships (via contracts, see page 16) that will provide them with the resources to do so.

The department has a monthly e-newsletter that it sends to its entire database. This newsletter is "dynamic" in that it can be targeted to niche markets. For example, if people visit the website and indicate that they are interested in "culinary" and "shopping," then they will receive an e-newsletter that presents the overarching message of the department and is branded with the department's logo but that also includes information targeted to the website's visitors. This is an especially useful tool for many of the department's local and regional partners. It

allows them to use the department’s website and have their message presented as part of the overall Tennessee brand. In addition to the website, the department has developed a strong social media presence on both Facebook and Twitter. According to department personnel, the goal of the interactive web and social media experience is to allow potential visitors to envision their own Tennessee story, and engage them in such a way that they will be influenced to visit.



Screenshots taken from Facebook and tnvacation.com, June 2012

## DEPARTMENT INITIATIVES

### “We’re Playing Your Song”

In 2012, the Tennessee Department of Tourist Development revamped its advertising campaign by bringing back the slogan “We’re Playing Your Song.” This slogan is now being seen in all online, television, and print advertising. Originally used by the department from 1987 through 1995, the slogan has been updated with a new graphic logo that has been shared with the department’s local and regional tourism partners. Throughout the process to implement this new marketing campaign, the department focused on creating a strong brand identity, partnering with regional tourism associations through the use of grants and matching funds, and implementing statewide initiatives like the *Discover Tennessee Trails and Byways*



program. The department continues to focus its resources on its goal of “more visitors, staying longer and spending more.”

### *Discover Tennessee Trails and Byways*

The Discover Tennessee Trails and Byways program is a grassroots effort to develop driving trails with a focus on history and local attractions. It was launched in November 2009 with the debut of the Old Tennessee Trail in Franklin, Tennessee. This statewide initiative now encompasses all 95 Tennessee counties along 16 regional trails. With a goal of establishing tourism offerings and bringing greater awareness to lesser-known attractions and communities in Tennessee’s rural areas, the key to the program’s success is the development of partnerships between state agencies, local officials, and tourism partners. In addition to the Department of Tourist Development and the Department of Transportation, state agencies participating in the trails program include the Departments of Economic and Community Development, Environment and Conservation, and Agriculture. The concept behind the program is to leverage Tennessee’s visitor brands including Chattanooga, Knoxville, the Great Smoky Mountains, Memphis, and Nashville through a series of self-guided driving trails that will work to extend visitors’ stays by showcasing nearby regional attractions as well as our state and national parks. At the time of the first trail launch, the Commissioner of Tourist Development stated that “the trails initiative is one of the most comprehensive marketing and branding initiatives ever to be launched from the state’s tourism department. Discover Tennessee Trails and Byways is an opportunity to showcase tourism’s major sites as well as our state’s exceptional off-the-beaten-path attractions which are some of Tennessee’s greatest assets.”



The Department of Tourist Development provided its tourism partners with a branding starter kit that included dynamic trail names and logos such as “White Lightning,” “Ring of Fire,” and “Walking Tall,” as well as brochures and website development. In addition to the branding starter kit, Tourist Development supported this effort through its existing television, print, and online media plan. The launch of the Cotton Junction Trail in Jackson, Tennessee, in June 2012 marks the completion of all 16 trail launches. A map illustrating the location of the Discover Tennessee Trails is on page 11. For a list and description of each trail, see page 9. For a list of trails divided by Tennessee’s 95 counties, see Appendix 4.

During the course of this review, auditors explored two of Tennessee’s Trails and Byways (The Old Tennessee Trail and Nashville’s Trace) and attended the launch of the Tennessee River Trail in November 2011. While driving the trails, auditors found that the trail signs were clearly visible and easy to follow and that the information provided about local attractions in the trail guides was accurate.



At the Tennessee River Trail launch, in November 2011, auditors noted that representatives from several state departments including the Department of Tourist Development and the Department of Transportation were on hand, as well as legislators and local community leaders. The focus of many of the official comments made throughout the launch was the importance of promoting tourism as a sustainable industry in the region. One speaker noted that, in order to create jobs and improve the region’s economy, Tennessee needs to attract industries that cannot be relocated to another region or foreign country; and since the rivers and mountains cannot be moved, tourism seems like it might offer the best chance at creating those opportunities.

### **Discover Tennessee Trails and Byways**

**Old Tennessee: Settlers to Soldiers Trail**  
(Launched November 2009)

Beginning at the Williamson County Visitors Center, this trail includes 98 points of interest as it travels through Williamson and Maury Counties.

**Sunnyside: Early Country Trail**  
(Launched May 2010)

Beginning at the Sevierville Visitor Center, this trail includes 328 points of interest as it travels from Sevier County through Cocke, Greene, Washington, Unicoi, Carter, Johnson, Sullivan, Hawkins, Hancock, Hamblen, and Jefferson Counties.

**Nashville's Trace: Backstage to Backroads**  
(Launched June 2010)

Beginning at the Downtown Nashville Visitor’s Center, this trail includes 166 points of interest as it travels through Davidson, Williamson, Maury, Hickman, Lewis, Lawrence, Wayne, and Perry Counties. An interesting feature of this trail is that it is made up of six driving loops along the Natchez Trace running from north to south.

**White Lightning: Thunder Road to Rebels Trail**  
(Launched June 2010)

Beginning at the Knoxville Visitor Center, this trail includes 163 points of interest as it travels from Knox County through Union, Anderson, Campbell, Claiborne, Grainger, Hamblen, Cocke, and Jefferson Counties.

**Walking Tall: Rockabilly, Rails, and Legendary Tales**  
(Launched December 2010)

Beginning at the I-40 Welcome Center in Memphis, this trail includes 196 points of interest as it travels through Shelby, Fayette, Hardeman, McNairy, Hardin, Henderson, Madison, and Chester Counties.

**The Jack Trail: Sippin' to Saddles**  
(Launched March 2011)

Beginning at the Downtown Nashville Visitor’s Center, this trail includes 326 points of interest as it travels through Davidson, Rutherford, Cannon, Coffee, Franklin, Moore, Lincoln, Giles, Marshall, Bedford, and Williamson Counties.

**Pie in the Sky: MoonPies to Mountain High Trails**  
(Launched August 2011)

Beginning at the Chattanooga Visitors Center and ending at the Moon Pie General Store, this trail includes 129 points of interest as it travels through Hamilton, Marion, Franklin, Grundy, Warren, Van Buren, Bledsoe, Cumberland, Rhea, and Sequatchie Counties.

**Great River Road**  
(Launched October 2011)

Beginning at the Riverside Drive Welcome Center in Memphis, this trail includes 64 points of interest as it travels through sites in Shelby, Tipton, Lauderdale, Dyer, Obion, and Lake Counties. The trail is connected to the Great River Road National Scenic Byway, a 10-state route starting in Minnesota and ending at the Gulf of Mexico.

**Promised Land: Pilgrimage to President Trail**  
(Launched October 2011)

Beginning at the Downtown Nashville Visitor's Center, this trail includes 113 points of interest as it travels through Davidson, Wilson, Smith, Jackson, Putnam, Cumberland, White, and DeKalb Counties.

**Ring of Fire: Ghost Stories and Music Legends Trail**  
(Launched October 2011)

Beginning at the Downtown Nashville Visitor's Center, this trail includes 112 points of interest as it travels through Clay, Davidson, Macon, Robertson, Smith, Sumner, Trousdale, and Jackson Counties.

**Tennessee River Trail**  
(Launched November 2011)

Beginning at Loretta Lynn's Kitchen and Buffet, this trail includes 106 points of interest as it passes through Benton, Decatur, Hardin, Houston, Henry, Humphreys, Perry, Stewart, and Wayne counties.

**Tanasi: Rapids to Railroads**  
(Launched November 2011)

Beginning at the Chattanooga Visitors Center, this trail includes 124 points of interest as it travels through Hamilton, Bradley, Polk, McMinn, Monroe, and Meigs Counties.

**Screaming Eagle: Lady Legends to Heroes Trail**  
(Launched April 2012)

Beginning at the Downtown Nashville Visitor's Center, this trail includes 76 points of interest in Benton, Cheatham, Davidson, Dickson, Houston, Humphreys, Montgomery, and Stewart Counties.

**Rocky Top: Smoky Peaks to Crafts and Creeks Trail**  
(Launched May 2012)

Beginning at the Gatlinburg/Great Smoky Mountains National Park Welcome Center, this trail includes 130 points of interest as it travels through Blount, Cocke, Jefferson, Loudon, Knox, Monroe, and Sevier Counties, as well as the Great Smoky Mountains National Park.

**Top Secret: Proton Beams to Utopian Dreams**  
(Launched May 2012)

Beginning at the Knoxville Visitor Center, this trail includes 111 points of interest as it travels through Knox, Anderson, Campbell, Overton, Fentress, Morgan, Scott, Clay, Roane, and Pickett Counties.

**Cotton Junction: Teapots to Sweet Spots**  
(Launched June 2012)

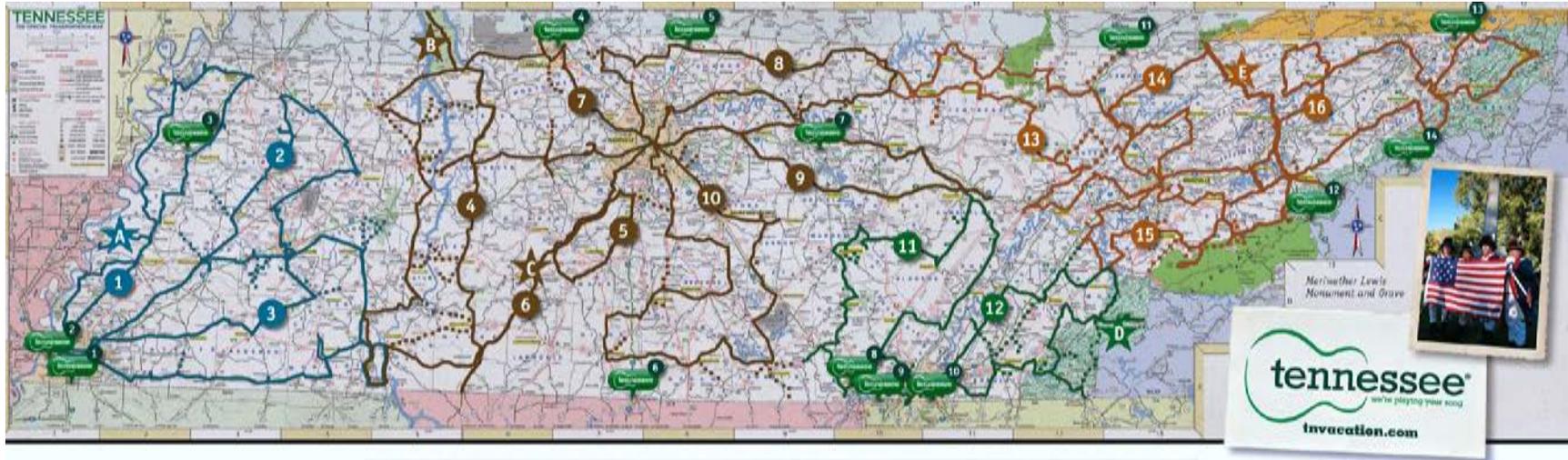
Beginning at the Riverside Drive Welcome Center in Memphis, this trail includes 103 points of interest as it travels through Carroll, Crockett, Fayette, Gibson, Haywood, Madison, Shelby, and Weakly Counties.

### Welcome Center Location Key



1. I-55, SHELBY CO. <i>Memphis</i>	8. I-24, MARION CO. <i>Nickajack</i>
2. I-40, SHELBY CO. <i>Memphis</i>	9. I-24, HAMILTON CO. <i>Tiptonia</i>
3. I-155, DYER CO. <i>Dyersburg</i>	10. I-75, HAMILTON CO. <i>Chattanooga</i>
4. I-24, MONTGOMERY CO. <i>Clarksville</i>	11. I-75, CAMPBELL CO. <i>Jellico</i>
5. I-65, ROBERTSON CO. <i>Mitchellville</i>	12. I-40, COCKE CO. <i>Hartford</i>
6. I-65, GILES CO. <i>Ardmore</i>	13. I-81, SULLIVAN CO. <i>Bristol</i>
7. I-40, SMITH CO. <i>Erwin</i>	14. I-26, UNICOI CO. <i>Erwin</i>

## Map of Discover Tennessee Trails and Byways and Welcome Center Locations



MEMPHIS AREA	NASHVILLE AREA	CHATTANOOGA AREA	KNOXVILLE AND GREAT SMOKY MOUNTAINS AREA
<p>A/1. Great River Road                      2. Cotton Junction Trail                      3. Walking Tall Trail</p>	<p>4. Tennessee River Trail                      5. Old Tennessee Trail                      6. Nashville's Trace                      7. Screaming Eagle Trail                      8. Ring of Fire Trail                      9. Promised Land Trail                      10. The Jack Trail</p> <p>B. Woodlands Trace National Scenic Byway                      C. Natchez Trace Parkway National Scenic Byway &amp; All American Road</p>	<p>11. Pie in the Sky Trail                      12. Tanasi Trail</p> <p>D. Cherokee Skyway National Scenic Byway</p>	<p>13. Top Secret Trail                      14. White Lightning Trail                      15. Rocky Top Trail                      16. Sunny Side Trail</p> <p>E. East Tennessee Crossing National Scenic Byway</p>

## *Sustainable Tourism*

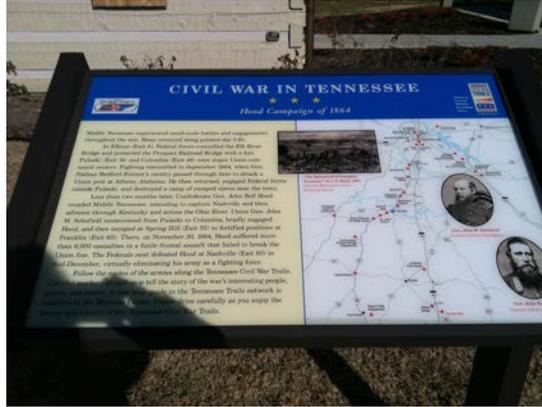
Sustainable Tourism is defined as tourism that sustains the environmental, historical, and cultural heritage of a region, while simultaneously contributing to the economic growth of that region. In 2008, the Department of Tourist Development launched its sustainable tourism program with the Great Smoky Mountains Sustainable Tourism Summit held in Knoxville. During the initial stages of the project, the link with the Great Smoky Mountains and its planned celebration of the park's 75<sup>th</sup> anniversary in 2009 was considered important because of that park's history of being developed as an economic generator for the communities that would surround it. In 2010, the Departments of Tourist Development and Environment and Conservation used a U.S. Environmental Protection Agency Pollution Prevention Source Reduction Grant to hold a series of sustainable tourism workshops. The purpose of these workshops was to engage industry partners and provide them with information about sustainable tourism resources, case studies, and best practices. That same year, the U.S. Travel Association recognized the Department of Tourist Development as a national best-practice leader in sustainable tourism planning. The department continues to work in partnership with groups like the Tennessee Hospitality Association, the Department of Environment and Conservation, and the Middle Tennessee State University Center for Historic Preservation to bring together industry partners and create an open forum where all groups can work together for a more sustainable Tennessee.



## *Tennessee Civil War Trails*

In January 2008, the department launched its Tennessee Civil War Trails initiative. Included as part of a multi-state program that also includes Maryland, North Carolina, Virginia, and West Virginia, the trails program identifies, interprets, and creates driving tours of both the great campaigns and the lesser-known Civil War sites. Tennessee's Civil War Trails are a coordinated effort with the Tennessee Department of Transportation and receive funding through a TDOT enhancement grant. As of December 2011, there were approximately 230 Civil War Trail markers, with additional funding available for 300 more. The markers are developed in partnership with local communities; of the total cost of each marker (\$5,500), the grant covers \$4,400 and the local community is responsible for \$1,100. The community benefits from the coordinated Civil War Trails marketing that includes signage, inclusion in the brochure, and a presence on the website. This is considered an economic opportunity for small communities as it can represent a large return for a relatively small investment.





*Marker located at Ardmore Welcome Center*

First published in May 2010, the Tennessee Civil War Trails map-guide was the first major marketing piece for Tennessee’s Civil War Trails program. The map-guide quickly became the most requested in the five-state Civil War Trails Program and, because of the high demand, an additional printing of 500,000 guides was completed in January 2011. In March 2012, the department launched a complimentary “Civil War in Tennessee iPhone App.” Key features of this application include the ability to view linked information that connects people with relevant places; see images of preserved artifacts, maps, and documents; find hotels and restaurants; check in to favorite locations; store trip pictures; and share the trip on Facebook. This five-state program has been identified by the National Trust for Historic Preservation as one of the most successful and sustainable heritage tourism programs in the nation.



*The Civil War App*

---

## OBSERVATIONS AND COMMENTS

---

The topics discussed below did not warrant a finding but are included in this report because of their effect on the operations of the Department of Tourist Development and on the citizens of Tennessee.

### **The Department of Tourist Development Appears to Have Appropriate Contract and Grant Monitoring Processes in Place to Ensure That Services Are Delivered in Compliance With the Contract**

Based on interviews with key department personnel, reviews of relevant contracts and grants, and the examination of supporting documentation and files, it appears that the Department of Tourist Development has appropriate contract and grant monitoring processes and procedures in place and is using these processes and procedures to ensure that services are being delivered in compliance with the contract.

#### Contracts

Auditors reviewed the Department of Tourist Development's contract monitoring activities for the period July 2009 through December 2011. The department provided auditors with a list of the eight active vendor contracts for fiscal year 2012, from which auditors selected four contracts to review. A list of the active contracts can be seen in the chart on page 15. In order to gain an understanding of the department's contract monitoring processes, auditors interviewed department personnel, reviewed the contracts, and reviewed the contract files for the following vendors: Designsensory, Inc.; Sullivan Branding; Walden Security, Inc.; and USA 800, Inc. Each of the contractors was selected through a Request for Proposal bid process. Specific information related to each of the contracts reviewed is discussed below.

#### *Walden Security, a Division of Metropolitan Security Services, Inc.*

The Department of Tourist Development contracts with Walden Security, a Division of Metropolitan Security, Inc., to provide security services at each of the state's 14 welcome centers. The current five-year contract, which began in November 2007 and ends November 2012, has a maximum liability of \$7,393,722. Walden Security is a for-profit corporation incorporated in Tennessee.

According to the terms of the contract, Walden Security is to provide unarmed, uniformed security guards at each of the state's welcome centers. The security services are to include, but not be limited to, communication and interaction with the public to better secure the welcome center building, its employees, and visitors "with respect to parking infractions, public safety and/or health-related matters, medical situations, prevention and/or deterrence of criminal

activity and contacting law enforcement and/or emergency personnel.” Per the original terms of the contract, security services were to be provided 24 hours a day at 13 welcome centers. The exception to the 24-hour-per-day requirement was the Memphis I-40 Welcome Center located on Riverside Drive in Shelby County, Tennessee. This welcome center operates daily from 7:00 a.m. to 10:30 p.m., and a security guard was required to be on duty only during the hours the center is open to the public. When the state’s 14th welcome center opened in Unicoi County in May 2010, the contract was adjusted so that security guards would be on duty 90 percent of the time at each welcome center, which increased coverage to one additional welcome center without increasing the cost of the contract.

According to department personnel, it is the responsibility of the Director of Welcome Centers to oversee the department’s contract with Walden Security. This oversight includes verifying invoices submitted by Walden Security to ensure that the department is being billed appropriately for the hours worked by Walden personnel. Auditors reviewed invoices submitted by the contractor to the department for the period of January 1, 2011, through December 31, 2011, to determine the number of hours being billed by the contractor for hours worked at each welcome center and how department personnel were verifying those hours. After reviewing invoices from each of the welcome centers for the period specified above and interviewing key department personnel, it appears that the department is taking appropriate steps to monitor this contract with Walden Security and ensure that the services contracted for are being appropriately provided.

**Active Vendor Contracts  
FY 2011-2012**

<b>CONTRACTOR NAME</b>	<b>SERVICE PROVIDED</b>	<b>TERM</b>	<b>AMOUNT</b>
Designsensory, Inc. (New Century Group, Inc.)	On-line Advertising Services and Website Management	5 years	\$ 7,500,000
USA 800, Inc.	Call Center/Telemarketing and Fulfillment	5 years	\$ 1,125,000
Lofthouse Enterprises	International Marketing	5 years	\$ 1,375,000
Geiger and Associates	Travel Writer Tours	5 years	\$ 1,125,000
Virginia Civil War Trails, Inc.	Implement and Maintain Civil War Trails	5 years	\$ 630,000
Miles Media, LLP	Vacation Guide Production	5 years	Revenue Contract
Walden Security, a Division of Metropolitan Security Services, Inc.	Welcome Center Security Services	5 years	\$ 7,393,722
Sullivan Branding (White/Thompson LLC)	Off-line Advertising Services and Media Placement	5 years	\$22,500,000

*USA 800, Inc.*

The Department of Tourist Development contracts with USA 800, Inc., to provide call center and fulfillment services (i.e., fulfilling requests for state tourism publications). The current five-year contract, which has a maximum liability of \$1.125 million, began August 1,

2011, and ends July 31, 2016. USA 800 is a for-profit corporation incorporated in Missouri. Because the current contract began in August 2011, auditors also reviewed the prior contract with this vendor for the period of September 2006 through July 2011. Section A.2 of the contract stated that USA 800 will provide call center services for the primary purpose of processing incoming tourism inquiries and requests for state publications including the Tennessee *Official Vacation Guide*. According to information provided to the department by USA 800, approximately 204,071 guides were shipped in 2008; 247,577, in 2009; 253,806, in 2010; and 158,598, in 2011.

According to department personnel, the Director of Information Services oversees the department's contract with USA 800 by reviewing reports prepared by the contractor and verifying invoices submitted for work the contractor has completed. Auditors reviewed relevant reports and invoices for the period January 1, 2009, through December 31, 2011, and based on this review, we determined that department personnel appear to be taking appropriate measures to ensure that the services contracted for with USA 800 are being provided in compliance with the contract.

#### *Sullivan Branding and Designsensory, Inc.*

The Department of Tourist Development contracts with Sullivan Branding (formerly known as White/Thompson, LLC) to provide off-line advertising, media placement, and related marketing services. The current five-year contract, which has a maximum liability of \$22.5 million, began March 23, 2009, and ends March 22, 2014. Sullivan Branding is a for-profit corporation incorporated in Tennessee. The department also contracts with Designsensory, Inc. to provide online marketing and advertising design and production services, online media placement services, website development and maintenance, consumer relationship management system development and maintenance, and lead generation services designed to increase the number of customers maintained in the customer database. This five-year contract, which has a maximum liability of \$7.5 million, began March 4, 2009, and runs through March 3, 2014. Designsensory is a for-profit corporation incorporated in Tennessee. These two contracts were reviewed in conjunction with each other because these services are integral to a unified print, online, and interactive social media campaign that creates a unified brand identity for the tourism industry in Tennessee.

During the course of this review, auditors spoke with department personnel, reviewed print publications, visited websites, downloaded apps, utilized social media, visited welcome centers to photograph media displays, used *Tennessee Trails and Byways* brochures to tour rural areas of the state, and reviewed Sullivan Branding and Designsensory files maintained by the department.

The department participates in weekly status calls with all of its media vendors, to monitor progress and deal with problems as they arise. No matter the project, vendors are not to move ahead without the department's direction and approval. In conjunction with the weekly status meetings, the department also maintains updated project status sheets. In addition, vendors are required to submit cost estimates that must be approved before work can begin.

To track vendor expenses, department personnel explained, prior to approval all invoices submitted for payment require signatures from the Assistant Commissioner and a director before being paid, no matter how small the amount. Any invoice received that is \$20,000 or greater requires the signature of the Commissioner of the Department of Tourist Development. Auditors were able to confirm this process of review in the contract files. Our file review found that for fiscal year 2010-2011, the billing recaps for Sullivan Branding listed over 100 different job numbers divided into four categories. These categories are (1) Print Add; (2) Trails and Byways Program; (3) Collateral/Other/Misc.; and (4) Media. Designsensory also listed a variety of job numbers divided into categories including Website Development, Online Media Management, Social Networking Management Tools, Pay Per Click, and Mobile Marketing. For both vendors, auditors selected job numbers from each of the categories listed and followed those job numbers by pulling relevant invoices in each month for fiscal year 2011 and for the first half of fiscal year 2012. For the files reviewed, the documentation maintained by the department supported the invoice amounts, the vendors' adherence to the terms of their contracts, and appropriate monitoring and approvals by the department.

### Grants

According to Section 4-3-2207, *Tennessee Code Annotated*, "it is the intent of the state to assist financially with the development of regional plans for tourist promotion and for the coordination of activities thereunder." In compliance with this provision, the Department of Tourist Development administers nine regional tourism promotion grants, one in each development district in the state. These regional agencies operate much like the department itself, and the money provided to them assists them in reaching a larger market as well as capitalizing on their connection with the overall Tennessee brand. The objective of our review was to determine how these grants are awarded and, once awarded, the extent to which these grants are evaluated and monitored by department personnel. Auditors interviewed key department personnel and conducted a file review to examine relevant supporting documentation to determine whether the grants made by the department are being monitored for adherence to the terms of the endowment grant contract.

As stated above, the department distributes tourism grants to one chartered, non-profit tourist promotion organization in each of the state's nine development districts. The department's Office of General Counsel maintains all files related to the nine regional tourism promotion grants. Auditors reviewed grant files from three recipients to determine the amount of the award, scope of services, and grant contract terms as well as to determine whether the department is maintaining required documentation related to the grant. Auditors selected three grant recipients for this file review: the Northeast Tennessee Tourism Alliance, the South Central Tennessee Tourism Alliance, and the Southeast Tennessee Development District. The review found that these three non-profit agencies have been receiving \$31,850 annually since fiscal year 2007. Each of these contracts was renewed annually through fiscal year 2011, in compliance with the contract terms in the fiscal year 2007 contracts. These agencies applied for, and were granted, new contracts for fiscal year 2012. Rather than extend the term annually for a period of five years (as allowed in Section 4-3-2207) the Department of Tourist Development changed the terms of the contracts so they now run for the five-year period from fiscal year 2012 through

fiscal year 2016. Provided all the terms of the contract continue to be met, each of these agencies will receive matching grant funds in the amount of \$31,850 annually for a total of \$159,250 over that five-year period. Our file review found that the documentation required by the terms of the contract has been submitted appropriately and that department personnel are actively monitoring the grantees.

According to department personnel, an important aspect of promoting regional tourism is providing access to information about tourism opportunities statewide. In order to do this, agencies are encouraged to include Tennessee's tourism logo on their website as well as provide an active link that reads "for complete visitor information on Tennessee, click here." A review of the websites maintained by each of the regional tourism promotion associations found that the websites do include this information.

### **The Welcome Centers Operated by the Department of Tourist Development Consistently Provide Travelers With a Clean and Comfortable Environment and Access to Tourist Information Related to the State of Tennessee**

The Department of Tourist Development operates 14 welcome centers across the state of Tennessee. See pages 10 and 11 for a map and list of the welcome centers. Thirteen of these centers are open 24 hours a day, 365 days a year. The Shelby County facility, located on Riverside Drive, operates daily from 7:00 a.m. until 10:30 p.m. Tennessee's welcome centers provide a variety of services, including clean restroom facilities, vending (via contract), and information about local and regional attractions. For fiscal year 2011, the actual expenditures for the welcome centers were approximately \$7.7 million, and for fiscal year 2012 the welcome centers are on track to meet estimated expenditures of approximately \$8.1 million. As part of the scope of this review, auditors met with department personnel, reviewed relevant records, and made site visits to a number of welcome centers and rest areas in order to determine that travelers are consistently and effectively being provided with a clean and comfortable environment in addition to access to tourist information related to the State of Tennessee.

#### *Site Visits, Comments Cards, and Inspection Reports*

When asked about the role the welcome centers play within the Department of Tourist Development, department personnel stated that the welcome centers are the first point of contact for many tourists entering the state, which means it is of paramount importance to provide a clean, safe environment as well as reliable tourism information. In an attempt to determine the conditions in the welcome centers and ascertain if the services provided are consistent across the state, auditors made eight unannounced site visits to six welcome centers over the course of the audit. See the table on page 19 for a list of dates and times that these site visits were made. During each visit, auditors found the welcome centers to be appropriately staffed, have local and regional as well as statewide tourist information readily available, and have grounds and facilities that were well-maintained and clean. This was true for visits that were made during weekday morning hours, on post-holiday travel days, and in the evening.

Location	Date Visited
I-24 Montgomery County (Clarksville) (constructed in 1980)	Thursday, October 27, 2011, at 11:30 am Sunday, June 12, 2012, at 9:30 pm
I-65 Robertson County (Mitchellville) (rebuilt in 2010)	Thursday, October 27, 2011, at 9:30 am Sunday, June 6, 2012, at 12:30 pm
I-65 Giles County (Ardmore) (rebuilt in 2011)	Wednesday, December 28, 2011, at 9:30 am
I-40 Smith County (Buffalo Valley) Serves east- and west-bound traffic (constructed in 1986)	Sunday, November 20, 2011, at 8:30 pm
I-24 Marion County (Nickajack) (constructed in 1978)	Tuesday, December 27, 2011 at 2:00 pm
I-24 Hamilton County (Tiftonia) (rebuilt in 2011)	Tuesday, December 27, 2011, at 10:00 am

Of particular note was the site visit made to the welcome center located on I-24 at Nickajack Lake. Constructed as a rest area in 1978, the Nickajack Lake facility (located in Marion County) was converted to a welcome center because of the large volume of traffic traveling west on I-24. Although there are plans to rebuild this facility in the future, the building as it currently stands is small and the restrooms are deemed to be in poor condition. On the day of the site visit (Tuesday, December 27, 2011), auditors found the hostess working the information desk to be busy but helpful and the restroom and vending areas to be dated and worn from use, but clean. (See photos on page 20.) A review of comment cards submitted by travelers who stopped at this facility supports the auditors' observations during the site visit. Comments received in February 2012 included: "The cleanest bathroom I've been in seven states"; "Restroom needs updating, no purse hook on door but staff was helpful and informative"; and "We pulled in bone tired about 11pm. We were lost and the security guard gave us turn by turn directions to our destination. He was a wonderful help." Additional information about comment cards can be found on page 22.

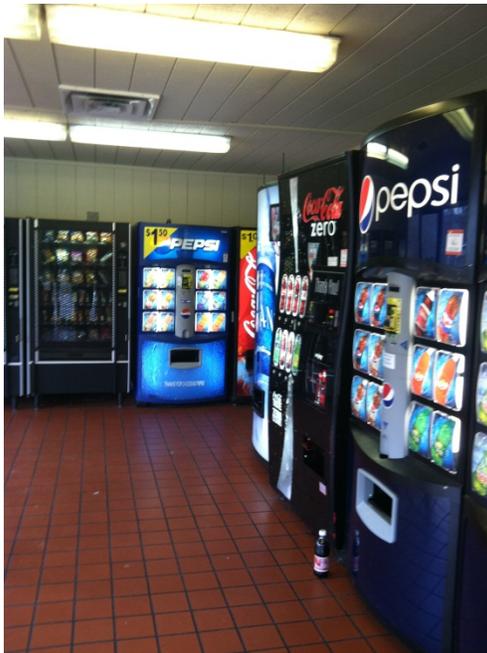
I-24 Welcome Center in Marion County  
Constructed as a Rest Area in 1978  
Photographed Tuesday, December 27, 2011



*Waiting for a parking space*



*View of lobby area*



*Vending area, located in a separate building*



*Side view of main building*

I-65 Welcome Center in Giles County  
Rebuilt in 2011  
Photographed Wednesday, December 28, 2011



*Gathering room with TDOT kiosk*



*Civil War marker installation*



*Vending area, located in a separate building*



*Interior of restroom facilities*



*Welcome center on I-24 West in Marion County, constructed in 1978*



*Welcome center on I-65 North in Giles County, constructed in 2011*

Each of the 14 welcome centers contains a comment box located near the exit of the lobby. The comment box pictured below is in the Mitchellville Welcome Center (located on I-24 in Robertson County). Travelers can fill out blue comment cards that use a rating scale of one to five, with one being the worst possible rating and five being the best possible rating. There is also space on the card for individuals to leave written comments about their experience at the welcome center. The comment cards are mailed to the Tennessee Department of Transportation on a monthly basis and then forwarded to Tourist Development. Department personnel reported that the scores on the comment cards are tabulated, and the results factor into which facility receives the Welcome Center of the Year Award. Auditors reviewed and tabulated comment cards received during February 2012 and found that of 413 cards forwarded to Tourist Development, 378 had a rating of 5, nineteen had a rating of 4, and three cards had a rating of 3. Thirteen cards did not have a number circled. This results in an average rating of 4.94 for the month of February.



In addition to reviewing a selection of comment cards, auditors also reviewed Welcome Center Inspection Reports completed from December 2011 through February 2012. Department personnel reported that regional managers inspect the facilities at least monthly and these reports are sent to the central office staff. Of the inspection reports reviewed, the average score across all facilities was 98%. Again, these results confirm the conditions in the welcome centers that the auditors observed during site visits.

*Staffing*

As mentioned previously, 13 of Tennessee’s welcome centers are open 24 hours a day, 365 days a year. The information desks at all 14 welcome centers are open daily 8:00 a.m. to 6:00 p.m. After 6:00 p.m. and during the overnight hours, there are a maintenance worker and a Walden Security guard on duty. See the table below for a listing of the number of staff positions assigned to each center. There are approximately nine employees assigned to each facility: the manager, welcome center counter staff, and maintenance personnel. Because the welcome centers are always open, employees are required to work holidays and weekends.

**Welcome Center Staffing Levels  
March 2012**

Location	Managers	Assistants	Building Maintenance Workers	
			Filled	Vacant
I-55 Shelby County (Memphis)	1	3	5	
I-40 Shelby County	1	2	4	
I-155 Dyer County	1	2	5	
I-24 Montgomery County	1	3	5	
I-65 Robertson County	1	3	5	
I-65 Giles County	1	3	5	
I-40 Smith County	1	3	6	
I-24 Marion County	Vacant	3	4	1
I-24 Hamilton County	1	3	5	
I-75 Hamilton County	1	3	5	
I-75 Campbell County	1	3	5	
I-40 Cocke County	1	3	5	
I-81 Sullivan County	1	3	5	
I-26 Unicoi County	1	3	5	

According to department personnel, the addition of the Walden Security guards at each welcome center in November 2007 has added to the positive experience of visitors and staff. Their onsite presence, especially during the overnight hours, provides a much needed measure of safety and security to both the welcome center employees and to the many visitors who use the facilities on a daily basis. Prior to the contract with Walden Security, usually only one maintenance worker was on duty during the overnight shift, a situation that was potentially dangerous to both the employee and to travelers. Since the contract with Walden Security, there are now at least two individuals on duty at each of the welcome centers when they are open.

Department personnel noted that the rural location of several of the rest areas and the relatively low salaries paid to welcome center employees, especially those working in maintenance, have resulted in a significant amount of turnover in these positions. The low

starting salary for these maintenance positions (approximately \$19,200 annually) and the fact that the job requires individuals to work weekends, overnights, and holidays contribute to the turnover rate, even in areas of the state where unemployment is high.

### *Real-Time Travel and Weather Information*

The department's ability to provide real-time traffic and weather information to travelers who stop at the welcome centers is in transition. Beginning in 2004, the Tennessee Department of Transportation provided and maintained four-sided electronic "GoSmart" information kiosks in each welcome center. Billed as "a limitless tool that travelers could rely on," the kiosks provided access to up-to-date information about road conditions, tourism information, and weather conditions. By 2010, budget cuts within the IT Division of the Tennessee Department of Transportation resulted in that department concluding that maintaining and repairing the T1 lines used to transmit information to the kiosks were cost prohibitive. Tourist Development was not aware of this decision until several kiosks went off-line in early 2011, when requests for repairs were submitted and TDOT informed the department it was no longer maintaining or repairing the kiosks. As of March 2012, only Clarksville (I-24 East) and Ardmore (I-65 North) had functioning kiosks. Each welcome center has a weather alert radio to provide notice of severe weather conditions, but providing consistent access to real-time weather and traffic information at every welcome center would enhance the welcome center experience for visitors.

### *Traffic Counters*

In addition to the "GoSmart" kiosks discussed above, TDOT is also responsible for maintaining the traffic counters at each welcome center. These counters are supposed to allow Tourist Development to estimate the number of visitors to the welcome centers, but department personnel stated that they do not operate properly. As of March 2012, traffic counters at the Clarksville, Memphis I-40, Memphis I-55, Dyersburg, and Smith County facilities were not operational. Department personnel have reported that they are exploring ways to improve welcome center traffic-count capabilities.



*Closeup of  
welcome center kiosk*

### *Vendor Contracts*

The Department of Tourist Development does not oversee the contract for vending services at the welcome centers. Through a contract with the Department of Human Services, Tennessee Business Enterprises is responsible for ensuring that the machines are operating properly and are well stocked. Department personnel reported there is supposed to be a vendor representative on-site during the day to monitor vending services and provide refunds if necessary. If a vendor representative is not on site, the welcome center staff provide a “Welcome Center Refund Request.” This refund request directs individuals to contact the Tennessee Business Enterprise Program, Services for the Blind in Nashville, Tennessee, in order to obtain a vending machine refund. Welcome Center staff developed this approach because they are not responsible for the vending machines and they do not keep cash at the help desks. There are also signs in the vending areas that indicate that welcome center employees are not responsible for vending machines.

### *Rest Areas and the Tennessee Department of Transportation*

The Tennessee Department of Transportation is responsible for maintaining the state’s 14 welcome centers and 19 rest areas. Tourist Development personnel explained that as far as the welcome centers are concerned, TDOT is responsible for major maintenance projects (razing and rebuilding, remodeling, and addressing structural problems) and Tourist Development is responsible for taking care of routine daily maintenance and cleaning. Tourist Development personnel stated that the two departments have a good working relationship where maintenance issues are concerned.

The Department of Tourist Development also provides brochures to the 19 rest areas that fall solely under the jurisdiction of the Tennessee Department of Transportation. Because of their connection to the state’s welcome centers as comfort and information stops along the interstate, and recognizing that to the traveling public there may be no distinction between the two (welcome centers and rest areas), auditors made site visits to eight rest areas to assess whether the facilities available and the information provided might provide visitors with a positive impression of Tennessee. The sites visited include rest areas located on I-24 East and West in Grundy County, I-40 East and West in Benton County, I-40 East and West in Dickson County, and I-40 East and West in Cumberland County. Auditors took photographs at each location to illustrate that although the buildings and interior finishes show signs of wear and tear, the facilities were clean and were appropriately stocked with a limited selection of state maps as well as brochures for local tourist attractions.

### **The Department’s Enabling Legislation Does Not Accurately Reflect Its Current Responsibilities and, As Such, May Need to Be Amended**

The Department of Tourist Development, created in 1976 by Section 4-3-2201, *Tennessee Code Annotated*, was the first cabinet level agency devoted to promoting tourism in the United States. At the time it was created, the department was divided into two divisions: the Tourism Division and the Hotel and Restaurant Division. In 1985, responsibilities related to the Hotel and

Restaurant Division were transferred to the Tennessee Department of Health. The portions of *Tennessee Code Annotated* related to the Department of Tourist Development do not reflect this change, however. Section 4-3-2203 still references the creation of the Hotel and Restaurant Division, and Section 4-3-2205, entitled “Hotel and Restaurant Division – Powers and Duties,” still reads, “the hotel and restaurant division shall administer Title 68, Chapter 14 and shall administer such other programs of the department of tourism relating to hotels and restaurants as the commissioner of tourism may, in the commissioner’s discretion, assign the division.” As noted above, the responsibilities for administering Title 68 “Health, Safety and Environmental Protection,” Chapter 14 “Hotels, Food Service Establishments and Swimming Pools,” Part 3 “Hotel, Food Service Establishment and Public Swimming Pool Inspection Act of 1985,” now reside within the Tennessee Department of Health.

Portions of *Tennessee Code Annotated* related to the Department of Tourist Development have not been amended since they were first enacted in 1976 and, as a result, reference powers and responsibilities that are no longer within the department’s purview. To avoid potential confusion about the role of this department, the General Assembly may wish to consider revising Section 4-3-2003 and repealing Section 4-3-2005.

---

## RECOMMENDATION

---

### LEGISLATIVE

This performance audit identified an area in which the General Assembly may wish to consider statutory changes to clarify the Department of Tourist Development’s current responsibilities.

Because portions of *Tennessee Code Annotated* related to the Department of Tourist Development have not been amended since they were first enacted in 1976 and, as a result, reference powers and responsibilities that are no longer within the department’s purview, the General Assembly may wish to consider revising Section 4-3-2003 and repealing Section 4-3-2005.

**Appendix 1**  
**Title VI and Other Information**

The department receives no federal funds and is not required to submit a Title VI implementation plan to the Human Rights Commission. See below for a breakdown of department staff by job title, gender, and ethnicity.

**Department of Tourist Development**  
**Staff by Job Title, Gender, and Ethnicity**  
**May 2012**

<b>Title</b>	<b>Gender</b>		<i>Asian</i>	<i>Black</i>	<i>White</i>
	<i>Male</i>	<i>Female</i>			
Accountant 3	1	0	0	0	1
Administrative Assistant 1	1	2	0	0	3
Administrative Services Assistant 2	0	1	0	0	1
Administrative Services Assistant 3	1	1	0	0	2
Administrative Services Assistant 4	0	2	0	1	1
Assistant Commissioner 1	0	1	0	0	1
Building Maintenance Worker 1	54	0	0	12	42
Building Maintenance Worker 2	16	0	0	2	14
Clerk 3	0	1	0	0	1
Commissioner 1	0	1	0	0	1
Deputy Commissioner 1	1	0	0	0	1
Executive Administrative Assistant 2	0	1	0	0	1
Executive Administrative Assistant 3	1	0	1	0	0
General Counsel 1	0	1	0	0	1
Human Resources Director 1	0	1	0	0	1
Information Systems Director	1	0	0	0	1
Mail Technician 2	0	1	0	0	1
Tourism Development Consultant 2	0	1	0	0	1
Tourism Development Consultant 3	2	2	0	1	3
Tourism Marketing Director	0	1	0	0	1
Tourism News Bureau Editor 2	0	1	0	0	1
Tourism News Bureau Manager	0	1	0	0	1
Tourism Sales Director	1	1	0	0	2
Website Developer 1	1	0	0	0	1
Welcome Center Assistant	4	35	1	7	31
Welcome Center Manager	7	7	0	2	12
Welcome Centers Director	1	0	0	1	0
Welcome Centers Regional Manager	2	2	0	0	4
	<b>94</b>	<b>64</b>	<b>2</b>	<b>26</b>	<b>130</b>

## Appendix 2 Performance Measures Information

As stated in the Tennessee Governmental Accountability Act of 2002, “accountability in program performance is vital to effective and efficient delivery of governmental services, and to maintain public confidence and trust in government.” In accordance with this act, all executive branch agencies are required to submit annually to the Department of Finance and Administration a strategic plan and program performance measures. The department publishes the resulting information in two volumes of *Agency Strategic Plans: Volume 1 - Five-Year Strategic Plans* and *Volume 2 - Program Performance Measures*. Agencies were required to begin submitting performance-based budget requests according to a schedule developed by the department, beginning with three agencies in fiscal year 2005, with all executive-branch agencies included no later than fiscal year 2012. The Department of Tourist Development began submitting performance-based budget requests effective for fiscal year 2010.

Detailed below are the Department of Tourist Development’s performance standards and performance measures, as reported in the September 2010 and 2011 *Volume 2 - Program Performance Measures*. Also reported below is a description of the agency’s processes for (1) identifying/developing the standards and measures; (2) collecting the data used in the measures; and (3) ensuring that the standards and measures reported are appropriate and that the data are accurate.

### Performance Standards and Measures

#### 326.01 Administration and Marketing

##### Performance Standard

Increase Travel Generated Sales.

##### Performance Measure

Annual gross sales for selected travel-related businesses in Tennessee, as based on actual Department of Revenue data reporting the economic impact trends of tourism on Tennessee’s economy.

Actual (FY 2010-2011)	Estimate (FY 2011-2012)	Target (FY 2012-2013)
\$7,324,238,338*	\$7,229,580,000	\$6,710,215,000

\*Additional non-recurring funds in fiscal year 2011 allowed the department to invest in marketing activities that generated additional tourism related revenues.

#### 326.03 Welcome Centers

##### Performance Standard

Encourage travelers to extend their stay in Tennessee by providing free reservation service and increase the annual number of reservations.

**Performance Measure**

Number of reservations made for travelers.

Actual (FY 2010-2011)	Estimate (FY 2011-2012)	Target (FY 2012-2013)
11,102*	15,600	15,600

\*Three centers were closed for renovation.

**Appendix 3**  
**Excerpts from *The Economic Impact of Travel on Tennessee Counties***  
**Published by the Research Department of the U.S. Travel Association**  
**October 2011**

**MULTIPLIER IMPACT OF TRAVEL SPENDING IN TENNESSEE**

Travelers in Tennessee produce “secondary” impacts over and above that of their original expenditures previously detailed. These secondary outputs (sales) and earnings (wage and salary income) arise from “indirect” and “induced” spending.

**Indirect** impact occurs as travel industry business operators, such as restaurants, purchase goods, such as food and beverages, and services, such as electricity and building maintenance, from local suppliers. These purchases generate additional output or sales indirectly.

**Induced** impact occurs as a result of the employees of businesses, and their suppliers, spending part of their earning in the area. This spending itself generates sales additional to the indirect impact.

The sum of the indirect and induced effects comprises the total secondary impact of traveler expenditures in the area. The ratio of the sum of primary output generated (travel spending) plus secondary output to initial expenditures alone is commonly termed the sales or output “multiplier.”

In 2010, the \$14.1 billion spent directly by domestic and international travelers in Tennessee generated a total output value of \$23.1 billion, a 6.2 percent increase compared with 2009. The ratio of the total output to the initial spending is 1.64, the output multiplier. This indicates that the average travel dollar generated an additional 64 cents in secondary sales for a total impact of \$1.64.

In addition to nearly \$5.2 billion in payroll income generated by direct domestic and international travelers’ spending, close to \$3.6 billion in earnings was produced in secondary impact during 2010. The ratio of total earnings generated to the initial spending is 0.62, the earnings multiplier. Each dollar of domestic and international travelers’ expenditures generated 62 cents in total earnings in the Tennessee economy.

Travel produced a total of 278,400 jobs for Tennessee residents, including direct and secondary employment in the travel industry and other industries of the Tennessee economy. The ratio of total employment to the initial direct spending is 20, the employment multiplier. This means that every million dollars in domestic and international travel expenditures generated a total of 20 jobs in Tennessee during 2010.

#### TRAVEL IMPACT ON TENNESSEE – 2010

From 2000 to 2010, total direct travel expenditures in Tennessee increased by 33.8 percent, higher than the 29.5 percent of nationwide growth. Due to the 9/11 terrorism attack, total direct travel expenditures in Tennessee decreased 0.6 percent in 2001. The expenditures were back to positive territory in 2002, up 1.0 percent from 2001. In the year 2003, travel expenditures experienced a slow growth, an increase of 2.3 percent. From 2004 to 2007, travel spending in Tennessee grew steadily. The economic recession that started in December 2007 slowed down the growth of traveler spending in 2008. The impact of the recession caused a 7.5 percent decline in traveler spending in Tennessee in 2009. In 2010, total direct traveler expenditures in Tennessee increased 6.3 percent compared with 2009; this increase was mainly driven by higher gasoline prices and airline fares as well as a modest increase in travel volume.

#### DOMESTIC TRAVEL IMPACT IN TOP FIVE TENNESSEE COUNTIES

The top five counties in Tennessee received nearly \$9.9 billion in direct domestic travel expenditures, 71.8 percent of the state total. The top five counties also earned more than \$4.3 billion in payroll (85.6 percent of the state total) and 137,300 jobs (80.5 percent of the state total) in 2010.

Additionally, domestic travel in the top five counties generated nearly \$481 million in tax revenue for the state treasury and close to \$265 million tax revenue for local governments during 2010.

**Davidson County**, which includes the city of Nashville, led all counties in 2010. Domestic traveler expenditures in Davidson County registered more than \$3.8 billion, accounting for 27.7 percent of the state total. More than \$1.6 billion in payroll income and nearly 54,100 jobs were created in this county.

**Shelby County** ranked second with \$2.9 billion in domestic travel spending in 2010, representing 21.1 percent of the state total. The county's payroll income of nearly \$1.9 billion was paid to 47,400 workers.

**Sevier County** posted more than \$1.5 billion in domestic expenditures to rank third. These expenditures generated nearly \$364 million in payroll as well as 18,100 jobs within the county.

**Knox County** received \$812 million from U.S. travelers, 5.9 percent of the state total. This county benefited from more than \$280 million in payroll and 9,400 jobs.

**Hamilton County** ranked fifth with more than \$810 million in domestic travel expenditures, nearly \$187 million in payroll income and 8,200 jobs within the county during 2010.

**Appendix 4**  
**List of Trails by County**  
**June 2012**

	<b>County</b>	<b>Trails in Each County</b>	<b>Number of Trails</b>
1.	Anderson	White Lightning, Top Secret	2
2.	Bedford	The Jack Trail	1
3.	Benton	Tennessee River Trail, Screaming Eagle	2
4.	Bledsoe	Pie in the Sky	1
5.	Blount	Rocky Top	1
6.	Bradley	Tanasi	1
7.	Campbell	White Lightning, Top Secret	2
8.	Cannon	The Jack Trail	1
9.	Carroll	Cotton Junction	1
10.	Carter	Early Country	1
11.	Cheatham	Screaming Eagle	1
12.	Chester	Walking Tall	1
13.	Claiborne	White Lightning	1
14.	Clay	Ring of Fire, Top Secret	2
15.	Cocke	White Lightning, Early Country, Rocky Top	3
16.	Coffee	The Jack Trail	1
17.	Crockett	Cotton Junction	1
18.	Cumberland	Pie in the Sky, Promised Land	2
19.	Davidson	Nashville's Trace, The Jack Trail, Promised Land, Ring of Fire, Screaming Eagle	5
20.	Decatur	Tennessee River Trail	1
21.	DeKalb	Promised Land	1
22.	Dickson	Screaming Eagle	1
23.	Dyer	Great River Road	1
24.	Fayette	Walking Tall, Cotton Junction	2
25.	Fentress	Top Secret	1
26.	Franklin	The Jack Trail, Pie in the Sky	2
27.	Gibson	Cotton Junction	1
28.	Giles	The Jack Trail	1
29.	Grainger	White Lightning	1
30.	Greene	Early Country	1
31.	Grundy	Pie in the Sky	1
32.	Hamblen	White Lightning, Early Country	2
33.	Hamilton	Pie in the Sky, Tanasi	2
34.	Hancock	Early Country	1
35.	Hardeman	Walking Tall	1
36.	Hardin	Walking Tall, Tennessee River Trail	2
37.	Hawkins	Early Country	1
38.	Haywood	Cotton Junction	1
39.	Henderson	Walking Tall	1
40.	Henry	Tennessee River Trail	1

41.	Hickman	Nashville's Trace	1
42.	Houston	Tennessee River Trail, Screaming Eagle	2
43.	Humphreys	Tennessee River Trail, Screaming Eagle	2
44.	Jackson	Promised Land, Ring of Fire	2
45.	Jefferson	White Lightning, Early Country, Rocky Top	3
46.	Johnson	Early Country	1
47.	Knox	White Lightning, Rocky Top, Top Secret	3
48.	Lake	Great River Road	1
49.	Lauderdale	Great River Road	1
50.	Lawrence	Nashville's Trace	1
51.	Lewis	Nashville's Trace	1
52.	Lincoln	The Jack Trail	1
53.	Loudon	Rocky Top	1
54.	Macon	Ring of Fire	1
55.	Madison	Walking Tall, Cotton Junction	2
56.	Marion	Pie in the Sky	1
57.	Marshall	The Jack Trail	1
58.	Maury	Old Tennessee, Nashville's Trace	2
59.	McMinn	Tanasi	1
60.	McNairy	Walking Tall	1
61.	Meigs	Tanasi	1
62.	Monroe	Tanasi, Rocky Top	2
63.	Montgomery	Screaming Eagle	1
64.	Moore	The Jack Trail	1
65.	Morgan	Top Secret	1
66.	Obion	Great River Road	1
67.	Overton	Top Secret	1
68.	Perry	Nashville's Trace, Tennessee River Trail	1
69.	Pickett	Top Secret	1
70.	Polk	Tanasi	1
71.	Putnam	Promised Land	1
72.	Rhea	Pie in the Sky	1
73.	Roane	Top Secret	1
74.	Robertson	Ring of Fire	1
75.	Rutherford	The Jack Trail	1
76.	Scott	Top Secret	1
77.	Sequatchie	Pie in the Sky	1
78.	Sevier	Early Country, Rocky Top	1
79.	Shelby	Walking Tall, Great River Road, Cotton Junction	4
80.	Smith	Promised Land, Ring of Fire	2
81.	Stewart	Tennessee River Trail, Screaming Eagle	2
82.	Sullivan	Early Country	1
83.	Sumner	Ring of Fire	1
84.	Tipton	Great River Road	1
85.	Trousdale	Ring of Fire	1

86.	Unicoi	Early Country	1
87.	Union	White Lightning	1
88.	Van Buren	Pie in the Sky	1
89.	Warren	Pie in the Sky	1
90.	Washington	Early Country	1
91.	Wayne	Nashville's Trace, Tennessee River Trail	2
92.	Weakley	Cotton Junction	1
93.	White	Promised Land	1
94.	Williamson	Old Tennessee, Nashville's Trace, The Jack Trail	3
95.	Wilson	Promised Land	1