May 6, 2003

Jeff A. McMahan, CFE
Oklahoma State Auditor and Inspector
State Capitol Building, Suite 100
Oklahoma City, OK 73105

RE: State Advertising Contract Compliance Audit Findings
Oklahoma Tourism and Recreation Department

Dear Mr. McMahan:

I appreciate the opportunity to briefly respond to the audit performed by your office on specific issues related to the state advertising contract administered by the Oklahoma Tourism and Recreation Department (Department).

The Department is pleased to learn that the administration of the advertising contract substantially complies with state statutes. The Department continues to take aggressive steps to ensure that all applicable laws are adhered to, that internal control procedures are understood by all parties and that all such procedures are rigorously followed. As a component of a comprehensive internal control system, the Department has realigned its staff to assign a contract compliance officer to oversee the administration of the advertising contract.

With respect to the specific findings, I offer the following responses:

ITEM #1 WAS THE ADVERTISING CONTRACT BID COMPETITIVELY?
The audit findings reflect that the contract between the Department and its advertising vendor, Ackerman McQueen, was appropriately and competitively bid. The Department will endeavor to create an environment that encourages advertising firms across the state to participate in the competitive bid process.

ITEM #2 IS THERE EVIDENCE OF PRE-PAYMENT?
The Department acknowledges that the State of Oklahoma does not have the ability to remit advance payments for products or services. The management of the Department has reemphasized compliance with Department procedures to all staff to ensure the state statutes, purchasing rules, and terms of the contract are adhered to. Even in situations where expedited payments may be requested, such as film shoots, all statutes and rules will be followed.

ITEM #3 WAS THE USE OF INITIATIVE MEDIA ALLOWED UNDER THE CONTRACT?
The audit found no evidence of current contract violations resulting from Ackerman McQueen’s usage of Initiative Media to purchase television schedules. Recently implemented policies will ensure that the media plan is executed in an effective, cost-efficient and accountable manner.

ITEM #4 WERE THE SETTLEMENT PROCESSES ON THE MAKE GOODS REASONABLE?
The audit reflects that the method whereby payments are remitted to Ackerman McQueen for what are known in the television industry as "make good" spots are proper. The Department will continue to examine the parameters of its contract to ensure compliance.
ITEM # 5  ARE COSTS OF OKLAHOMA! ON BROADWAY WITHIN STATE LAW?

After its very thorough review of the Oklahoma! On Broadway project, the audit found no evidence of unlawful expenditures of state funds related to the promotion of Oklahoma! On Broadway. While the Department must be judicious in the execution of future promotional efforts, the State benefited greatly from private donations and sponsorships to finance the promotional event. Approximately $35,000 in state appropriations were used to host the promotion. In return, the state received nationwide news coverage, television and radio interviews, as well as print advertising totaling greater than $159,904 in advertising equivalency.

Tourism is a vibrant industry in Oklahoma. Tourism attractions and activities provide not only a source of recreation for citizens and visitors, but also serves as a viable means of economic development for urban and rural Oklahoma. The Travel Industry Association estimates that domestic travelers spent $3.8 billion while traveling in Oklahoma during 2000. These expenditures generated nearly $1.5 billion in wages and salaries and about 72,000 jobs for Oklahoma residents. Tourism accounts for $300 million in state and local tax receipts.

The Department and the tourism industry recognize the continued need for an effective tourism promotion program to benefit the State of Oklahoma. It is the intent of the Department that our efforts to oversee the statewide promotional activities as directed by the Tourism Promotion Act (Title 68, Section 50010 et seq.) are consistent with the law, and represent the most effective use of tax funds derived from tourism-related businesses.

Finally, on behalf of the Department, I appreciate the extensive efforts of the Office of the Oklahoma State Auditor and Inspector for its thorough review of our contract administration and offering its recommendations for improved performance.

Sincerely,

Ralph McCalmon
Executive Director